Daily Report

Latin America

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Panamanian President Opens EU-Central American Conference

PA2402180295 Panama City Circuito RPC Television in Spanish 2300 GMT 23 Feb 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] This morning, Panamanian President Ernesto Perez Balladares opened the 11th San Jose Ministerial Conference, which is being held in Panama until 24 February. Alexander Calderon has the story.

[Calderon] As President Perez Balladares opened the 11th San Jose Ministerial Conference, he expressed regrets over the armed conflict between Ecuador and Peru. He also stressed the significance of the ties Central America and Europe maintain:

[Begin Perez Balladares recording] Cooperation must also be regarded as the instrument that facilitates trade, technological, cultural, and touristic exchange. Cooperation agreements among regions, Central America and Europe in this case, must be aimed at increasing the number of trade possibilities and the number of mechanisms that make cooperation viable. [end recording]

Meanwhile, Panamanian Foreign Minister Gabriel Lewis Galindo affirmed during the meeting that Panama has the capability and enough professionals to manage the interoceanic canal, adding that his country is already developing a number of projects to be implemented in the reverted areas, such as the University of Knowledge:

[Begin Lewis recording] We are planning to open large universities with high levels of education in certain areas being used as military bases. Nothing is more similar to such military installation as the existing ones than a university campus [sentence as heard]. We will exchange soldiers for students and professors from all over our America. [end recording]

The 11th San Jose Ministerial Conference, in which the foreign ministers of Central America, the European Union, and the Group of Three, comprised by Venezuela, Colombia, an Mexico, will end today [as heard] with the signing of the Panama Declaration, which is intended to turn around the cooperation policies between the isthmian and European nations, once peace and democracy are consolidated in the region.

EU Reaffirms Cooperation With Central America

PA2502042795 Panama City Circuito RPC Television in Spanish 2300 GMT 23 Jan 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] Central America and the EU today agreed to open a new phase in cooperation between the Old World and the isthmus—ties that exceeded $1 billion in the last decade—to adapt to the new, peaceful times. The two blocs approved the Panama Declaration, in which Europe pledged to continue aid to Central America. The former is the main donor to the latter at the global level. The EU will aid and support Central American sustainable development, and this declaration supports such cooperation.

The Panama Declaration also called for an end to the Guatemalan conflict and asked the Guatemalan Government and guerrillas to try to reach a peace agreement. The foreign relations ministers of six European nations; those of the so-called Group of Three, made up of Colombia, Mexico, and Venezuela, with which the isthmus signed cooperation and free trade agreements; and high-ranking officials of the 15 EU members attended the meeting, which concluded today in Panama.

European Delegation Head Opposes U.S. Embargo

PA2502044095 Panama City ACAN in Spanish 0046 GMT 24 Feb 95

[FBIS Translated Text] Panama City, 23 Feb (ACAN-EFE)—Stanley Newens, head of the European Parliament delegation to the 11th San Jose Conference on Cooperation With Central America, today expressed his organization's opposition to the U.S. "embargo" against Cuba, but he did call for reforms on the island.

Newens addressed the conference, which included ministers representing 15 European member nations of the EU and seven Central American countries, and recalled the European Parliament's September resolution urging the EU executive bodies to promote cooperation agreements with Cuba.

"We are opposed to any proposal by the new majority in the U.S. Congress to toughen measures against Cuba," Newens added.

He also stated that the European Parliament "is anxious to see full respect for individual rights" on the island and added that "there must be reforms." As for Central America, Newens indicated that the European Parliament is anxious for development in the region and is prepared to support measures to favor it, as well as the advancement of political and cultural relations with the EU.

During his speech, Newel stressed the need to struggle against poverty and inequality in America, which he blamed for events such as the Chiapas uprising.

The European Parliament representative also called for solutions to Latin America's debt problem. He specifically addressed the need to grant an "urgent reduction" of Nicaragua's debt, which stands at $11 billion, the highest debt per capita on the entire continent.

In addition, Newens urged the consolidation of peace processes and the region's democratization. He reiterated the European Parliament's position of encouraging a "supreme effort from the Guatemalan Government and guerrillas to reach a peace agreement to end hostilities."

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Cooperation Policy Reviewed

PA2502194695 Panama City ACAN in Spanish 1155 GMT 24 Feb 95

[By Emilio Crespo]

[FBIS Translated Text] Panama City, 24 Feb (ACAN-EFE)—The EU will continue to cooperate with Central America to help consolidate democracy and promote prosperity in the region but, rather, from a new outlook aimed at achieving "sustainable development."

This was the main conclusion of the XI San Jose Conference, which was held in Panama with the participation of foreign ministers of the six Central American countries and high-ranking EU officials and ministers. The first San Jose Conference was held in Costa Rica in 1984.

"The results of this meeting establish closer ties and refute the rumors the EU has forgotten Central America," Costa Rican Foreign Minister Fernando Naranjo has said, adding "the expectations we had and the objectives we outlined have been met."

The two blocs have reviewed the cooperation policy that placed Europe in first place among the donors of aid to Central America in the last decade. Central America has recognized the decisive role Europe has played in its pacification and democratization. With the achievement of those goals, both sides have agreed European aid must be oriented toward the new needs of Central America.

In general, those objectives were identified by two projects in the region: sustainable development respectful of social needs and the environment and the isthmus' integration and insertion into the world economy.

This position was supported by Manuel Marin, vice president of the commission, executive body of the EU; Alain Lamassoure, French minister delegate of European affairs; and Javier Solana, Spanish foreign minister. France currently presides over the union, and Spain will preside over it in July.

The three have also said the EU will continue backing the isthmus even though the current Central American situation is much better than when the San Jose Conferences began amid full-blown political violence and civil war.

Europe granted Central America approximately $1 billion in aid in the last decade. Solana expressed confidence the aid will be maintained and increased.

The Central Americans emphasized the trade aspect of future relations with the EU, insisting their countries need measures to facilitate their exports so as to strengthen their economies in addition to cooperation.

In this regard, the six countries' request to prolong and expand the advantages of the EU's general system of trade preferences for Central America did not obtain an affirmative reply, only the promise to submit it to discussions.

It was agreed, upon Central America's initiative, a high-level forum can be convened, on the request of any of the parties, to discuss any matter in dispute. Certain Central American Foreign Ministries want to take the banana export problem to such a forum as soon as possible.

In his speech, Marin expressed support for the in-depth reassessment of dialogue between Europe and Central America in order to adapt it to new times. Sources of the two blocs have predicted the next conference, which will be held in Italy in 1996, might be the last one to be held in the tradition of the San Jose Conferences. The Panama Declaration, with which the conference closed on 23 February, called for the holding of a seminar at an unspecified date in order "to reflect" on this mechanism and relations in general between the two blocs.

The improvement of the competitiveness of the Central American economies and the promotion of small and midsized businesses are among the new objectives of the cooperation.

Nevertheless, European cooperation wants to be based on the same foundations: the defense of human rights and democracy, and the consolidation of the institutions of the state of law, objectives in which Central America still has a long way to go.

In the meeting's final declaration, which with its six pages might be the shortest in the history of these conferences, there was only one mention of issues outside the dialogue between the EU and Central America: a call to peace between Peru and Ecuador.

Panamanian Minister Foresees Closer Ties

PA2502042695 Panama City Circuito RPC Television in Spanish 2300 GMT 24 Feb 95

[Report by Alexander Calderon; from the "RPC Television News" newscast]

[FBIS Translated Text] The national government thinks the 11th San Jose Ministerial Meeting met expectations and improved Panama's image abroad. Foreign Minister Gabriel Lewis Galindo asserted that following the 11th San Jose Ministerial Meeting, Central America—particularly Panama—has strengthened its ties to the European Union and the Group of Three [G-3], made up of Mexico, Venezuela, and Colombia.

[Begin Lewis recording] This will create opportunities for our countries to increase trade with Europe. [end recording]

Lewis Galindo said there are expectations for the plans Panama intends to implement in the reverted areas, particularly for the City of Knowledge.

[Begin Lewis recording] We think industries can be established there. In sum, I think we have been given a great opportunity. [end recording]

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The foreign minister made these statements while the ministers and delegates of the European Union, Central America, and Group of Three participating in the 11th San Jose Ministerial Meeting toured Miraflores Locks. They were given an explanation on the operation of and future plans for the Panama Canal.

Human Rights Committee Urges Help for Rafters

PA2602202495 Panama City LA PRENSA in Spanish 25 Feb 95 p A-2

[Report by Manuel Alvarez Cedeno]

[FBIS Translated Text] The Panamanian Human Rights Committee (CPDH) has asked the foreign ministers who attended the XI San Jose Ministerial Conference in Panama City to use their good offices in favor of the 30,000 rafters who are at the U.S. Guantanamo Naval Base and not allowed to enjoy freedom.

At this meeting, the European Union and Central American foreign ministers studied the possibility of increasing cooperation between both regions but did not broach the issue of the Cuban rafters.

CPDH President Osvaldo Velasquez sent an "open letter to the members of the XI San Jose Ministerial Conference" to call "their attention" to the 30,000 rafters who are "living in captivity" at the U.S. base in Guantanamo.

The CPDH letter added the rafters are denied the enjoyment of their fundamental human rights, especially freedom.

The XI San Jose Ministerial Conference ended on 23 February without the foreign ministers issuing an official statement on the rafters crisis, and the CPDH has not informed whether it has received a reply from the diplomats.

"You cannot watch the situation of anguish and desperation suffered by those human beings with indifference," the note has stated.

The rafters crisis arose when more than 30,000 Cubans took to the sea on improvised rafts to escape the regime of Fidel Castro and go to the United States. Most of them were intercepted, however, by the U.S. Navy and sent to Guantanamo.

For the CPDH, the Cubans who are at Guantanamo are living without freedom and are in a situation comparable to that of "a concentration camp."

"The XI San Jose Ministerial Conference has a great responsibility with humanity and history: the elimination of any trace of concentration camps," the letter has stated.

It has also stated "this task, due to the circumstances, is an urgent responsibility that cannot be evaded, regardless of the overload on the work agenda, because we are talking about 30,000 human beings."

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Chief Observer Briefs Cardoso on Peru, Ecuador Feud

PY2802003595 Sao Paulo AGENCIA ESTADO in Portuguese 2219 GMT 27 Feb 95

[FBIS Translated Text] Brasilia, 27 Feb (AE)—Due to the violation of the peace agreement signed by the governments of Peru and Ecuador, the mission of military observers designated by Brazil, Argentina, Chile, and the United States has imposed conditions before setting up its bases in the conflict zone. This information was conveyed on 27 February by General Ariel Pereira da Fonseca, the head of the mission, to President Fernando Henrique Cardoso. In a nearly 1-hour meeting held at Planalto Palace, Gen. Pereira da Fonseca briefed Cardoso on the first trip made to the Peruvian-Ecuadoran border and officially announced that the peace agreement signed by the two contending countries with the backing of the guarantor countries has remained an accord on paper only.

The officers who are serving on the mission of observers (10 from each guarantor country) want guarantees concerning "an effective cease-fire" in the region and the signing of a document entitled "Definition of Procedures" agreed upon by the warring contries and the guarantors. This document is designed to regulate the action of the observers.

Gen. Pereira da Fonseca also wants the personal safety of the observers to be guaranteed because, under the peace agreement, they cannot carry arms. Speaking to President Cardoso, he said: "In this case, in view of the characteristics of the region, we want authorization for them to carry weapons to provide for their personal defense." Because this is not a peacekeeping force, its members are not empowered to fight.

The members of this mission made their first trip last week to Coangos in Ecuador, and to Watch Post No. 1—PV-1—in Peru for purposes of reconnaissance of the area where the future support base of the observers will be located. During the visit, Gen. Pereira da Fonseca was able to verify that the cease-fire is actually not holding because he heard gunfire in the jungle on both the Ecuadoran and Peruvian sides. On 6 March, the mission members will meet in Brasilia to plan the next operation. On 3 March, they will all leave for the conflict zone.

Human Rights Body Evaluates Peru-Ecuador Conflict

PY2802025095 Madrid EFE in Spanish 2326 GMT 27 Feb 95

[FBIS Translated Text] Montevideo, 27 Feb (EFE)—According to an evaluation of a human rights organization released in Montevideo today, the undeclared war between Ecuador and Peru has resulted in more than 500 dead, wounded, and missing and 50,000 evacuated and forced into refugee status among 11 indigenous communities in the two countries.

The report also says that the war is costing $30 million daily in routine spending, in addition to $147 million in airplanes that have been shot down or damaged so far.

With 24 hours remaining before an important meeting in Uruguay with the purpose of putting an end to the border war, the Latin American Human Rights Association (ALDHU) delivered to EFE the result of its latest investigation.

The report, which was signed by ALDHU Secretary General Juan de Dios Parra of Chile, says that the war in the Condor Mountain range affects a 78-km zone of the Amazon jungle where the following indigenous communities live: Shuar, Ashuar, Seconas, Coyas, Cofanes, Huaorania, Quichuas, and Shiwiares on the Ecuadoran side, and Aguarunas, Guambizos, and Orejones on the Peruvian side.

Central America Lobbying Against 'Offensive' by U.S. Unions

PA2402185495 Paris AFP in Spanish 2022 GMT 22 Feb 95

[FBIS Translated Text] Tegucigalpa, 22 Feb (AFP)—Central America has formed a "common front" to defend its maquila [assembly plant sector] industry against a "major offensive" by U.S. unions, which believe they are being affected, because investment is moving to the isthmus, Honduran Economy Minister Delmer Urbizo said today.

Urbizo said the regional governments are "lobbying" "in a common front" through their economy ministers and ambassadors in Washington before the U.S. Senate to counterbalance those senators who are echoing the campaign launched by the unions.

Urbizo identified a presumed encouragement of labor conflicts in the maquila industry in northern Honduras as part of that "offensive."

According to the local media, a worker at a garment factory in the Bufalo area, approximately 240 km north of Tegucigalpa, appeared before a Senate commission last year, with the help of U.S. unions, and accused the company's executives of sexual harassment and violating her human and work rights. The businessmen rejected these charges.

Another worker on 20 February also threatened to go to Washington if four fellow workers who were dismissed were not rehired.

According to Urbizo, the U.S. union members have also launched several actions to thwart the Interim Trade Program, which was offered by the administration of Bill Clinton.

The Interim Trade Program, which the U.S. Congress should approve, would temporarily exempt taxes on

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garments made in Central American countries while this region joins NAFTA, the treaty signed by Mexico, the United States, and Canada.

U.S. union members believe investors will move to Central America should this program be approved due to its comparative advantages, thus causing a loss of jobs in the United States.

Urbizo admitted the maquila industry is one of the solutions to the serious problem of unemployment affecting the region.

In Honduras alone, there are approximately 100 maquila companies, owned by Asian and U.S. businessmen, that provide jobs for approximately 50,000 people, most of whom are women.

Urbizo said he will meet with the leaders of the main labor organizations in Honduras on 24 February to seek a solution to labor conflicts "rationally" and thus prevent risking sources of employment.

A Korean garment factory, Hyup Sung, closed operations on 15 January due to economic "insolvency" and left 300 women unemployed following a series of labor strikes.

Mercosur-Mexico Preferential Tariff Talks Pending

PY2402131095 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Feb 95 p 6

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Foz do Iguazu—Mercosur [Common Market of the South] and Mexico have still not renegotiated their preferential tariffs. This means half the trade between Mexico, and Argentina, Brazil, and Uruguay continue to pay normal full tariffs without any discount since 31 January. "It is as if we were trading with Malaysia or Singapore," said Jorge Campbell, Argentine under secretary for commercial integration.

With the exception of Paraguay, the three other Mercosur partners maintain Partial Scope Agreements [Acordos de Alcance Parcial—AAP] with Mexico negotiated within the framework of the Latin American Integration Association (ALADI). These agreements expired last 31 December. They were extended until the end of January and must now be extended until 30 June. "Mexico has answered with an almost intransigent position, doubting the existence of Mercosur," says Ambassador Jose Artur Denot Medeiros, who is responsible for economic and integration matters of Itamaraty.

The Mexican Government refuses to extend the preferential agreements, alleging that Mercosur must first negotiate the losses that the Common External Tariff (CET) will allegedly cause to trade. In the past few days Mexican officials told the media that Mercosur is intransigent—but Brazilian, Argentine, and Paraguayan negotiators have another version. Mexico, in the opinion of the three mentioned countries, is overlooking its obligation to negotiate compensation for not having extended to ALADI members, including Mercosur, the concessions granted to the United States and Canada, members of the NAFTA.

Mexico wants to condition the extension of the preferential agreements to a prior acceptance by Mercosur that the CET causes losses. "This is unfounded," says Denot Medeiros, because Mercosur countries negotiate their AAP with Mexico using as a base the preferential margins (discounts) and not the tariff residues. If the CET drops from 20 percent to 10 percent with a 50 percent preferential margin, Mexico continues to have an absolute advantage over third countries. He said: "We cannot accept the Mexican position because it hints at criticizing the CET and its goals," adding that Mercosur is willing to review the margins for Mexico but "cannot do this before extending the preferential agreements."

Despite this impasse, Campbell believes Mercosur and Mexico should reach agreement this week. Itamaraty Integration Department Chief Renato Marques explains that agreements based on tariff residues were applied in the Latin American Free Trade Association (LAFTA) which was replaced by the ALADI in 1980 and whose agreements are established by preferential margins. Beside this, Mexico wants to renegotiate tariffs on only five chemical products, a proposal which Mercosur does not accept because it wants to extend the agreements to include all tariffs.

Mercosur, Bolivian Envoys Meet in Montevideo

PY2402133795 Buenos Aires TELAM in Spanish 2226 GMT 22 Feb 95

[FBIS Translated Excerpt] Montevideo, 22 Feb (TELAM-SEM)—Official sources have reported that representatives of Mercosur [Common Market of the South] member countries met today with their Bolivian counterparts in Montevideo seeking a commercial agreement.

The meeting comes a day after Mercosur representatives met with Chilean technicians with the same purpose, and one day before the same representatives meet with Andean group representatives.

The results of the talks with Bolivia and Chile at the Mercosur Administrative Secretariat are not known yet. Mercosur member countries are Argentina, Brazil, Paraguay, and Uruguay. [passage omitted]

Tomorrow Mercosur representatives are expected to begin negotiating with representatives of the Andean Group (Bolivia, Colombia, Ecuador, Peru, and Venezuela), the other Mercosur member countries' partners in the Latin American Integration Association (ALADI), to continue to work for a regional market free of tariffs.

The negotiation comes within the framework of the so-called South American Free Trade Association (SAFTA), which seeks to gradually reducing tariffs seeking to create a South American free trade zone (excluding services) within 10 years.

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Cuba

Foreign Ministry Office To Legalize Documents for Abroad

FL2802015395 Havana Radio Reloj Network in Spanish 2035 GMT 27 Feb 95

[FBIS Translated Text] The Cuban Foreign Ministry has announced the opening of an office that will allow people to legalize documents to be submitted in foreign countries.

The office is located at 157 G Street, between Calzada and Ninth Streets, in El Vedado, and will be open for business mornings from 0900 to 1200, and afternoons from 1300 to 1600 [local times]. People interested in legalizing documents to present abroad need to apply in person at the offices authorized by the Foreign Ministry.

Even though the office at 157 G Street, between Calzada and Ninth Streets in El Vedado, is open mornings and afternoons, it is recommended that application be made in the afternoon to avoid early morning crowds.

Sugar Industry Minister Presents Program to ANPP

FL2502043895 Havana Radio Rebelde Network in Spanish 0000 GMT 25 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Sugar Industry Minister Nelson Torres, at a meeting of the National Assembly of the People's Government [ANPP], told delegates that over 90 percent of the new sugarcane fields are weed-free. Torres also unveiled a production program that should result in a significant increase in sugar production. The program includes strengthening of traditional and biotechnical seed production methods, field drainage, and rehabilitation of fallow land. Torres stated that in 1995 the sugarcane would be better fertilized since there is more chemical fertilizer available than in the last four years. He also stressed the great patriotism of the sectors' workers who carry this economically decisive task forward under extremely difficult circumstances.

Congress of Economists Holds First Day of Sessions

FL2702031995 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 27 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] To make efficiency and competitiveness the prime attributes of the economy are the main goals of those participating in the first day of sessions of the Congress of Cuban Economists today, which was attended by Politburo members Carlos Lage, Jose Ramon Machado Ventura, and Julio Casas.

At the onset of the year in which the Cuban economy should reverse it crisis and definitely take off on the road to recovery, the economists are aware that their responsibility is as high as it can be. Approximately 18,000 members nationwide discussed ways to solve the crisis, not as impartial judges but, as the president of the organizing committee stated, as frontline soldiers.

[Begin Economy and Planning Minister Osvaldo Martinez recording] The greatest service that can be rendered to the Revolution and the fatherland today is to heal the Cuban economy and attain economic efficiency. [end recording]

In his address, the minister evaluated the progress made in 1994 in more than half of the services and productive branches. The sugarcane recovery, food, and the energy issue remain the priorities. Acquiring hard currency is the goal of the sugar industry, and to reduce disbursements in food and fuel, which currently consume two thirds of Cuba's purchasing capabilities, however, this is not an academic forum where only problems are addressed. Good examples were also praised. This was the case of the address by Basic Industry Minister Marcos Portal regarding the restructuring conducted at that ministry through the concentration of responsibilities within the enterprise, establishment of a horizontal organization, and the creation of mechanisms for incentives and mass participation.

[Begin Portal recording] I believe conditions have been created to implement this on all the levels. I have no doubts in that regard. [end recording]

Other examples were discussed in the other six commissions, which will continue meeting tomorrow at the Convention Center.

Minister Martinez Addresses Economists

FL2702152995 Havana Radio Rebelde Network in Spanish 1000 GMT 27 Feb 95

[From the "Doing Radio" program]

[FBIS Translated Text] Economy and Planning Minister Osvaldo Martinez addressed the participants at the Fourth Congress of Cuban Economists, which began on 26 February. The following is a fragment of his address on the current situation of Cuba's economy:

[Begin Martinez recording] Perhaps I should compare the situation we had in December of 1993 and analyze what has occurred in the recently concluded 1994 year. The situation in December of 1993 was undoubtedly very different from our current situation. It was marked with the severity and difficulty of those times. In December of 1993 our economy—with regard to its production—had decreased due to the severe impact suffered between 1990 and 1993. I am referring to the special period, which had been brought about by the disappearance of the socialist camp, the Soviet Union, and the economic relations we had with them, as everyone knows, as well as to the simultaneous strengthening of the U.S. economic blockade. Also during

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December of 1993, a phenomenon of special and negative consequence was hovering over our economy. This was the rising imbalance within our national economy because of increased circulation of capital. This posed a threat to our economy's development. [end recording]

Editorial Views 'Role of Cuban Economists'

FL2802022395 Havana Radio Rebelde Network in Spanish 1800 GMT 27 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] A TRABAJADORES editorial on 27 February highlights the role of Cuban economists, calling them a key element in the efforts of the Revolution and the people to end the special period and create a solid, viable, and efficient economy, as independent as the Cuban reality can abide.

TRABAJADORES points out the importance of stressing these concepts at a time when the National Association of Cuban Economists congress is taking place, noting that Cuban economists are politicians as well as professionals.

The editorial observes that political goals, as fair as they might be, have no power without the support of technical knowledge to organize and guide the economy. It also remarks that it is essential nowadays to utilize the talent of the thousands of economists and accountants, and that to do this, they must be linked to production and practice in the broad sense.

In addition, TRABAJADORES stresses the need for active participation by economists in the organization, direction, and development of the efficiency assemblies, where they can make a significant, useful contribution. Economists cannot, therefore, notes the editorial, isolate themselves in offices. Their job is to spot problems, propose measures to be implemented, find ways to generate savings, and protect human resources.

The editorial states that this is the way by which Cuba could design an economy capable of producing the results society needs. It adds that the union movement supports the economists' zeal in combining technical and professional quality with the highest political and revolutionary sensitivity.

Minister: Increased Production Can Consolidate Recovery

PA2702220295 Havana PRENSA LATINA in Spanish 2001 GMT 26 Feb 95

[FBIS Translated Text] Havana, 26 Feb (PL)—Cuba's finance and prices minister, Jose Luis Rodriguez, has called for increased production to consolidate the country's economic recovery and to make irreversible the ongoing financial healing process.

In an interview published today in the weekly JUVENTUD REBELDE, Rodriguez says that it is significant that in less than a year of implementing measures to check economic and financial instability there are already signs of recovery.

The minister said: "What has been achieved is encouraging, very good, but does not make the situation irreversible. Increased production would permit the creation of an economic potential capable of preventing an imbalance of the new currency in circulation. This would make the situation irreversible."

Government figures indicate that in 10 months, the amount of excess currency in circulation dropped more than 1.8 million (the equivalent in dollars, at the official rate). The state budget deficit was reduced more than 3.6 million pesos over 1993.

In noting that one singular and praiseworthy merit of the adjustments is that they were made with the understanding of the majority of the people and taking care that the people were affected as little as possible, Rodriguez explained that the first thing done to reach this recovery was to demand that state organizations show a profit.

He mentioned the agriculture and sugar industry sectors, which have always received significant state subsidies because of losses and that now have been denied part of such subsidies for being inefficient and wasteful. He added: We have raised the prices of non-staple products that are in great demand.

Just through the sales tax on cigarettes, alcoholic beverages, and other products, we were able to absorb more than 80 percent of the excess currency in circulation in the last seven months of 1994.

Commenting on other results of these measures, which also include the progressive imposition of a tax system, the minister said that prices marked in national currency have been reduced, although they are still high. The black market rate of exchange for the dollar has also dropped.

The minister said the revaluation of the peso does not provide enough basis to allow salaries to be revised. It is also necessary that each entity retain only the work force that it really requires. Without this, both production and workers would be hurt.

Regarding the situation of prices, Rodriguez explained why many will remain high and inaccessible for some of the population for the time being. He noted that with higher production this situation would also be corrected.

The minister said the government is revising its policy for prices of some services, for example restaurants, in order to standardize them. He said that prices for staples are still untouchable. This year 360 million pesos were used to subsidize rationed products.

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Regarding the eventuality of having a readily convertible currency, Rodriguez cautioned that Cuba's main priority is to have an economically sound exchange rate for a convertible peso. But he noted that Cuba, being an underdeveloped nation, has neither the power nor the international financial control to make the free exchange of its currency viable.

Rodriguez denounced the fact that U.S. economic pressure is obstructing the granting of international credits by government and nongovernment organizations. It is also forcing Cuba to pay high interest rates, since Cuba is what experts call "a risk country," because of the U.S. blockade.

Regarding how much time it will take to balance the national budget, the minister said that if measures are adopted to increase production efficiency, if the level of revenues is maintained, and if a tax system is imposed, this could happen in 1996.

Vice Minister Explains Foreign Investments in Economy

PA2502031795 Havana Radio Havana Cuba in Spanish 0000 GMT 21 Feb 95

[Report by Marianela Samper from the "Evening Information Review" newscast]

[FBIS Translated Text] The Cuban Government's policy of priorities for foreign capital investment covers all areas of the national economy, with the exception of the health and education systems as well as some services. The sugar sector was opened to the creation of partnerships in November 1994, when Vice President Carlos Lage announced at the opening of the Havana International Fair the interest in the participation of foreign businessmen. In general, the participation of foreign capital up to that date had been promoted in sugar refining, and it was not until recently that opportunity was opened for the production of unrefined sugar. Octavio Castilla, Cuban vice minister of foreign investments and economic cooperation, commented on the status of the negotiations, their objectives, and other details.

[Begin Castilla recording] So far, the negotiations are essentially being conducted with the objective of setting up financial and productive links between foreign companies and different provinces in the country. In other words, far from making a general proposal for the overall financing of the Cuban sugar harvest, the proposals are being presented in an easier, more comfortable, and decentralized manner for the provinces. Some agreements have been signed for Havana and Matanzas Provinces and are already in operation. I think there is also an agreement in Camaguey.

Negotiations are under way and are quite advanced with interested British, Swiss, and Arab firms. These deals should be concluded in the next weeks.

However, this does not include the sale of sugar mills. That topic has not been broached in the negotiations, either us or by the foreign firms. In general, the foreign investment firms tend to be more interested in the financing, production, and marketing of sugar than in the purchase of assets. That is the trend at this time. This is decisive because it is essential for the recovery of the sugar cane sector. The recovery of the sugar industry requires the solution of this problem. [end recording]

Since we are talking about foreign investment, it must be clarified that the government law establishes a preference for 51 percent participation by the Cuban side and 49 percent participation by foreigners. This has been possible so far because investments have been directed at existing industries. Therefore, our assets have been high and foreign participation has contributed the market, technology, working capital, or some investment with regard to energy. Castilla will explain to us whether this preference in participation will be maintained or changes.

[Begin Castilla recording] The law does not rule out the possibility of partnerships in which the foreign side has majority participation. In fact, some already exist. There are some partnerships—I have mentioned the textile sector—in which the foreign partner has a majority share. In the case of the Australian firm, it involves a new nickel deposit in which relatively large investments must be made, not only in analysis of the deposit but also in the construction of a new plant. Therefore, the company's investments are high. Agreement was reached on the firm's majority participation in this business. I view this as logical. I do not see it as an exception but as the logical result of a negotiation. [end recording]

Panel Discusses State, Farmers' Markets

FL2402140395 Havana Radio Rebelde Network in Spanish 1700 GMT 22 Feb 95

["Straight Talk" program with host Juan Carlos Roque Garcia and guest Fernando Davalos from Radio Taino—live or recorded]

[FBIS Translated Text] [Roque] The difference between state markets [placitas] and farmers' markets is not simply a matter of quantities. This comment is the cornerstone for today's debate. Many people believe the supply of products at the farmers' markets is better and bigger than in state markets.

[Davalos] We have to begin by acknowledging that the problem is not one of more products. Although figures published last week confirm that the state markets distribute five times more products than the farmers' markets.

[Roque] That is in terms of quantity.

[Davalos] There is something else we have to point out before going any further. The farmers' markets are having a very positive influence on agrarian producers, and last week it was announced that the volume of the

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crops contracted is higher this year than in 1994. Therefore, the farmers' markets have a positive influence. However, I must stress the problem is not quantities because the state markets have other problems. It is true that prices at the farmers' markets are much higher while the state market prices and rations are regulated and fixed. However, in my opinion, the problem is different.

[Roque] It is obvious that the amount of products arriving at the state markets is small, however, due to the problems our agrarian economy has been facing, we have to keep in mind certain organizational issues of incentives, resources, etc.—the very idea of that market—but also the differences between the state markets and the farmers' markets.

[Davalos] The problems which you say the agriculture sector has been experiencing are problems [words indistinct] decisions have been taken, the basic cooperative production units were created, the sale of products is authorized in the markets. So, there have been organizational and incentive measures. The problem now, perhaps, is with resources and fertilizers. The process is an ongoing one. What happens is that crops are not harvested in a matter of weeks; it takes months. I believe the influence of the markets on production is simply a matter of time.

The comparison between state markets and farmers' markets is unavoidable; everybody is making the comparison constantly. What do I get from the state market and what can I buy at the farmers' markets? That is where we see a qualitative difference, which is to a certain degree, annoying. You mentioned it. You are not given the right to choose whichever tomato you want; you have to take whatever is available and at times it is dirty and half-rotten. For example, the state markets do not sell heads of lettuce. They sell a new and strange product—lettuce leaves—because the heads of lettuce are so mistreated that by the time they reach the state markets, they are torn to pieces, however, this is not the case at the farmers' markets. There is a difference with quality. This has to be tackled decisively because it is very irritating for the people.

[Roque] The example of tomatoes: At the state markets they look like lemons, green and unripe, however, you go to the farmers' markets and you find much higher quality tomatoes and the buyers are very pleased.

[Davalos] And you can choose among them. In addition, the man selling them wants you to be pleased, and wants to sell; but the one at the state market takes the box of tomatoes, manhandles half of them and delivers them dirty. The market is also filthy and his manners are poor.

Apart from all that, they rip you off in the weighing. There is a problem with the weighing and the scales, a series of problems that must be discussed because that is part of the image of the marketplace which is unsatisfactory and must be resolved.

[Roque] The consumers at these marketplaces can see that it is not only about a demand for quantity that has not been met but also about insufficiencies such as poor treatment, inexact weighing, and unsanitary products and environments.

[Davalos] Yes, not to mention the time one loses there.

[Roque] Right. But, who is responsible for all this?

[Davalos] There is a retail structure within the provincial and municipal governments that deals with this directly. This is widespread. I walk through the marketplaces and I can see the same thing in all of them. Regarding the inexact weighing: I do not remember an inspector ever checking to see if the scales are true. The inspection has never—or at least I have never seen it over the years...[pauses] There is a problem with the scales. [Words indistinct] it is clear and evident that the consumer does not feel protected. The retail authorities of the provincial or municipal governments have to deal with this. We must get control of this problem.

[Roque] The uncleanliness of those marketplaces is shocking. Cabbage, which often accumulates in large quantities and fills the area with a stench, creates a very unfavorable hygiene situation for the community. In other words, there are aspects of the market that are not looked after by the retail enterprises which should be watched very carefully. From this tribune of "Straight Talk," I call on the retail enterprises to attack these problems and solve them, to clean the units and to dispose of the rotten products or send them to the pork industry or to some other industry that can use them as feed.

[Davalos] It is curious that this problem [words indistinct] now when the farmers' markets arise. This is an old problem which existed under the table, something everybody has had to put up with. Generally speaking, it is very difficult to find a clean marketplace with a clean product where one is treated politely. One goes there because one has to. It is almost as if the consumer were told: Either take it or leave it; either you take this crushed and wrinkled plantain or go home without one.

[Roque] We must also mention that some places are exemplary in terms of politeness and the quality of the product, because we can not generalize, but, the majority of the marketplaces have these problems.

[Davalos] Juan Carlos, unfortunately, I believe those cases are the rare exceptions. That is my personal opinion. The truth is that this is a real problem and it is an issue of a political nature. [Words indistinct] has a reference point. It is now constantly being compared to the farmers' markets and there is a big difference. Of course there you pay more and here you pay less, but there is a difference. There are two things next to each other and the marketplaces are like the ugly daughter who is forgotten by everyone. Also, some people are misappropriating products that are not theirs. There is not enough control.

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[Roque] Fernando, you mentioned that now there is a reference point or a point of comparison, namely the farmers' markets.

It has been said that the products reaching the farmers' markets are five times better than those being sold in state markets. [Words indistinct] these are figures published [words indistinct] but the problem is not that but allowing [words indistinct] farmers' market exists and that it is a situation within this process that we are living. It is a situation that appears as a way to solve one or another problem. Taking into account that not everyone can have direct access to the farmers' market, we must find a way to make the state markets as appealing as the farmers' markets.

I know that is the law of supply and demand [words indistinct] the best product, but I believe that there must be respect for the people and the consumers of the state markets.

[Davalos] Yes, they must feel protected because that is a social aspect of commerce, but the irony is that it is just the opposite. There are places that are so embarrassing that when tourists see them, they ask how the agricultural products can be brought to such dirty places. That is very embarrassing.

[Roque] You said that it is embarrassing because of the tourists, but it is even more embarrassing because of the consumer. The tourists are here sightseeing and enjoying themselves. They may see this situation, but what concerns me is not the tourists but the people, the community which it affects.

[Davalos] I agree. Furthermore, I believe that the authorities have a direct responsibility. I am not talking about the administrative authorities alone. The delegates of the people's government, the local government organizations, the people's councils, and all the people that have to deal with this—because this is a problem that affects the people—[words indistinct] the products are dirty, the area is dirty. This is a situation that must be changed. We must see what can be changed because the situation must change.

[Roque] Much is said about the efforts of the workers of commerce and restaurant workers, but I believe that a greater effort needs to be made. One must love the work that one does. One must be an example and one must find the formula that makes people feel satisfied with the service they are receiving.

[Davalos] There is an old saying that goes: Praying and pressing forward [a Dios rogando y con el maso dando]. What does this mean? I believe that if...[pauses] People must become aware of the way they treat their neighbor. But there is an organizational problem. I cannot base the change and improvement that we want on two, three, 10, 20 or 1,000 workers becoming aware and changing their attitude. We must vary the image of the marketplaces and the work methods, the methods of stimulating the workers. A change is needed. In other words: Praying and pressing forward. We can trust in the awareness and we must trust in the people's awareness, honesty, and patriotism. But we must also guarantee and improve the organization of the work, the image of the marketplaces. Because we cannot wait for a person in a specific place to sweep the place and to increase efforts to serve the consumer out of goodwill. That does happen and it is nice when it does, but...

[Roque, interrupting] But it is a problem of the demand.

[Davalos] Yes.

[Roque] Because if the management demands that those places be cleaned and if public health takes a role in the matter, I believe we can improve the image of these marketplaces.

[Davalos] Yes, and it is important for the administration to demand and for the people to demand of the administration until we form a chain. Because this is all a chain of command. It is a problem. Until recently we would go home with the semi-rotten tomatoes. But today that is not so because I know that in a certain place I am welcomed with a smile and I am allowed to pick the product that I want. It is true that I pay more at the farmers' market, but it is irritating that at the state marketplace, where I am to pick up my quota—which has such an important social role, above all for people of lower income—it is a den of iniquity [antro].

Fidel, Raul Castro Decorate Generals, Promote Officers

FL2702025795 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 27 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] Commander-in-Chief Fidel Castro and Army General Raul Castro, minister of the Revolutionary Armed Forces [FAR], presided over a ceremony in which Brigadier Generals Alvaro Lopez, Francisco Gonzalez, and Harry Villegas were presented Hero-of-the-Republic gold stars and the Antonio Maceo Order medals in recognition of the important services rendered to the fatherland. In the same ceremony, a group of FAR and Interior Ministry generals and colonels were promoted.

Rosales del Toro Conducts Control Visit in Cienfuegos

FL2502020195 Havana Radio Rebelde Network in Spanish 1800 GMT 24 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] A three-day control visit to Cumanayagua Municipality in Cienfuegos has ended. Government delegations, headed by Division General Ulises Rosales del Toro, Politburo member, visited work centers, urban and rural communities, and business

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managers on 23 to 25 February to assess implementation of Commander in Chief Fidel Castro's guidelines challenging the special period.

Cumanayagua is the second municipality to receive this kind of supervision, countrywide. Radio Rebelde discussed implementation of this methodology with Comrade Pedro Miret Prieto, vice president of the Councils of State and Ministers.

[Begin recording] [Miret] We cannot yet say that we have acquired more experience because it would sound like boasting. We have, however, undoubtedly progressed. San Cristobal is an indication that our method has worked when compared to the last control visit, and this is already positive. There is more to be done, and we must continue on the path.

[Unidentified reporter] Have the people felt motivated to offer their views to the delegation members?

[Miret] Really, it has been like that everywhere. We were well received in Cumanayagua and in San Cristobal as well. We like to hear views. In past control visits, people sometimes did not participate at all. [end recording]

The competition involved in this visit is an important part of the work done to assess the performance of a province, and a meeting to discuss results will take place next.

'Significant Increase in Generating Power' Noted

FL2502020595 Havana Radio Reloj Network in Spanish 2039 GMT 24 Feb 95

[FBIS Translated Text] Between 16 and 22 February, the generating capacity was 1,667 megawatts with a maximum demand of 1,920, which caused a deficit of 238 [as heard] megawatts. This balance reflects a significant increase in generating power; the deficit has been reduced in spite of an increase in maximum demand.

According to the Electric Union, generating capacity is expected to be 1,600 megawatts from 23 February to 1 March. Unit 6, a 64-megawatt unit at the Soto Parrilla Thermoelectric plant in Talla Piedra, Havana, will be taken offline during this period for repairs.

Technological Improvements Made at Grubero Gas Factory

FL2702182295 Havana Radio Rebelde Network in Spanish 1800 GMT 25 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The technological changes being implemented on one of the three lines at the Evelio Rodriguez Grubero Gas Factory, in Havana City, continue at a good pace. The work should be concluded during the second half of 1995. Dimas Gonzalez, director of the provincial manufactured gas enterprise, stated that this reconditioning would allow the enterprise's production capacity to increase to 600,000 cubic meters. Gonzalez added that the new line would begin producing domestic fuel using naptha as prime material instead of coke coal. This more efficient production process will improve distribution and supply times. Along with this investment, which is valued at over 1 million pesos, the provincial manufactured gas enterprise is also substituting 6 km of pipeline, repairing leaks, and is surveying low-lying areas which do not receive gas due to problems involving pressure or piping.

Haiti

Cedras Bodyguards Released From Prison

FL2702213795 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Feb 95

[FBIS Translated Text] It has been learned from reliable sources that Colonel Claudel Josaphat, former military commander of the North Department, who had been detained since the beginning of the intervention by the multinational force, was released on 23 February.

State-owned Television Nationale d'Haiti, TNH, confirmed the release of two formerly close friends of General Raoul Cedras, former Army chief and Haitian strongman currently exiled in Panama as author of the 30 September 1991 coup d'etat against President Jean-Bertrand Aristide. This information was relayed by various private stations in the Haitian capital. Those released are (Romeo Haloun) and Jerry Mourra. This information has been released to Signal FM by close relatives of those gentlemen who were Gen. Cedras' bodyguards, a small unit of cronies known as ninjas because of their black uniforms and matching masks. The minister of justice has not yet been informed of this release.

You will recall that Col. Josaphat, known as an intransigent nationalist, tendered his resignation to Gen. Cedras in September 1994, standing aloof from Cedras and condemning foreign intervention in the country. Imprisoned in the multinational force's detention center in Port-au-Prince, these three persons were handed over to the Haitian Government at the end of January, along with 23 other detainees.

Stanley Schrager, spokesman for the U.S. Embassy in Port-au-Prince, says the multinational force has advised that these people no longer constitute a threat.

Two Beheadings, 30 Injuries on First Day of Carnival

FL2702211195 Port-au-Prince Signal FM Radio in French 1600 GMT 27 Feb 95

[FBIS Translated Text] The first day of carnival ended in bloodshed. Over 30 injuries have been recorded in Port-au-Prince. The first day of festivities was also

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dampened by strong rain showers in the capital, which delayed the start of the scheduled parade.

Boulo Valcourt, a well-known musician, was involved in an accident. There was also a lynching in Delmas 32, during which two people were beheaded. That is the assessment of the first day of carnival, a rather negative assessment.

Government Appoints New Interior Minister

FL2402175095 Port-au-Prince Signal FM Radio in French 1130 GMT 24 Feb 95

[FBIS Translated Text] There is a new minister at the head of the Ministry of the Interior. It is General [Mondesir] Beaubrun, 46—considered one of the close friends of President Aristide. He was appointed minister of the interior on 23 February, replacing Rene Prosper, who had occupied the post in the Haitian constitutional government since 1993.

Haitian Prime Minister Smarck Michel appointed Gen. Beaubrun, who was pensioned off one week ago along with 42 officers of the interim police force to which were assigned the former Army elements who had not been demobilized. He joined the Army in November 1971 and was appointed chief of the Army's general staff on 19 November [1994], a little more than one month after the return of President Aristide to Haiti.

Aristide Cabinet Chief Defends Electoral Law

FL2402234395 Port-au-Prince Signal FM Radio in French 1130 GMT 24 Feb 95

[FBIS Translated Text] President Aristide's cabinet head Leslie Voltaire said on 23 February that none of the powers has the right to interfere in the business of the Provisional Electoral Council [CEP] so far as elections are concerned. Voltaire says he believes this is the only way to maintain the credibility of the upcoming electoral contests. The CEP has set the elections for 4 June. The executive recently published the electoral law—a statutory order, according to some people. This situation, according to Leslie Voltarie, at the microphone of Michelet Geffrard, is justified:

[Begin Geffrard recording, in Creole] The questions are why the government amended the electoral law, why it amended the Parliament's amendments to the electoral law, and why is it a law instead of a statutory order. My answer to the first question is that the government has amended the electoral law for two reasons: First, what the Parliament did was unconstitutional. The Constitution defines the criteria one must meet to be a candidate, how the candidate must be. There is no question about withdrawing beause one is a priest or a pastor, or completing secondary studies, or so on. That is anti-constitutional. That is the first problem. The second problem is the procedure. Normally, the executive sends a law, a bill, to Parliament. Then the Parliament works—as lower chamber and upper chamber, deputies and senators—on it and makes proposals that they send back to the executive. According to the Constitution, the executive then has eight days to amend it and resend it to Parliament. It happened that there was no Parliament when the executive finished amending it. So, what happened was natural.

Second, why is it a law and not a statutory order? It is a law because the Constitution describes electoral law. It says nothing about electoral statutory orders. Also, when you look at the reference—that is 1990, 16 December 1990—the 1990 law on the elections was an electoral law. But there was no Parliament. President Ertha Pascal Trouillot did not adopt a statutory order. So, just as in 1990, a law was created and as the situation was the same—there was a president but no Parliament—Trouillot set a precedent. That is why she promulgated it as a law. [end recording]

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Canacintra Warns of Limitations of U.S. Aid Package

PA2702223795 Mexico City EL FINANCIERO in Spanish 24 Feb 95 p 25

[Report by Isabel Becerril]

[FBIS Translated Text] The credit support package the United States has granted to Mexico will not be a panacea for Mexico, because it will only be used to overcome the short-term financial crisis. Moreover, it will not prevent a recession, nor will it resolve the slowdown in the manufacturing industry, the increase in unemployment, the decline in the people's purchasing power, or the increase in the number of overdue debt portfolios for companies and individuals, the National Association of Manufacturers (Canacintra) has warned.

This organization, which represents small and medium-sized companies and micro-businesses, believes it is a mistake that federal authorities have not yet devised a transformation and modernization strategy for the countryside and the industries that could stop promoting the centralization of production and an income distribution system that is becoming more rigid as times goes by.

In one of its most critical analyses in recent times, Canacintra explained that the executive branch has failed to devise instruments that will permit us to overcome the difficulties threatening the survival of many Mexican companies.

Recent events within the financial sector of the national economy prove that the modernization process and the job market reorganization have been postponed for better times.

The problems the country is facing, Canacintra pointed out, will only be overcome if we move forward with the immediate implementation of goals and instruments (including industrial policies) that will permit us to do the following:

A. overcome the difficulties that are threatening the survival of many companies;

B. strengthen the competitiveness of the economic structure; and

C. increase the ability to create productive and better paying jobs in the countryside as a means to achieving firm and sustained growth in savings, investments, production, and employment.

In the worst-case scenario, the large imbalance Mexico is experiencing will not be resolved as long as there are no true industrial development policies.

In the opinion of Canacintra, this imbalance stems from the weakening of the manufacturing industry and is the result of the combination of a swift trade opening process and the lack of an overall program promoting capital investments, the modernization of companies, and the implementation of sound and competitive production chains, as well as an increase in current capacity, thereby allowing the creation of, among other things, exports.

In its monthly analysis, Canacintra notes that the fundamental problems that cannot be resolved with the aforementioned credit package include:

A. [letter as published] Backwardness in the modernization of the communications and transportation sector; deficiencies in administrative simplification and deregulation processes, especially in federal institutions; high domestic interest rates; dependency on foreign capital to finance the country's growth; problems that have accumulated in the rural sector for decades and backwardness in the education sector; imbalances in the manufacturing sector; and the increase in unpaid bank loans.

Likewise, on this last point, Canacintra warns that numerous companies will continue to face difficulties in fulfilling their financial obligations contracted with domestic and foreign banking institutions.

Something very important, in the opinion of Canacintra, is that the aforementioned credit package will not prevent Mexico from falling into an economic recession, and it will not resolve the difficulties in the operation of numerous industries facing problems of liquidity, depreciation of assets, imbalances in the manufacturing industry, and contraction of markets.

As for why industries are facing such a high degree of deterioration, Canacintra notes that a manufacturing industry policy has been absent in the modernization process carried out by Mexico over the past few years.

Being careful not to adopt protectionist policies similar to those adopted under the imports substitution model, the public administration did not draft a development program to promote industrial activities.

In addition, Canacintra notes, the financial system has, up until now, been one of the sectors that has received the most benefits from previous economic policies.

Senate Leader Denies U.S. Aid Violates Sovereignty

PA2702215895 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 23 Feb 95 p 5

[Report by Humberto Rios Navarrete]

[FBIS Translated Text] Senate leader Fernando Ortiz Arana responded to the critics of the loan to Mexico, saying yesterday that "it has done no harm whatsoever to national sovereignty" and that it "implicitly recognizes" the Zedillo administration's "firm and democratic leadership." The loan is, he underscored, "free of political conditions, secret clauses, and hidden agreements."

The opposite was expressed by National Action Party [PAN] Senator Jose Angel Conchello, who said that the

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Bank of Mexico "has lost its autonomy and that there will be a recession in the country, because Mexico has never before made such a bad and humiliating deal." The loan, the senator underscored, only benefits long-term investors and will foster a "useless standstill and hold down salaries."

Interviewed at the casona [PAN headquarters] in Xicontencatl, Ortiz Arana said that the conclusions reached at the negotiation of the unprecedented financial package for Mexico "also confirm that there is confidence in Mexico and the Mexican people's ability to overcome their recent economic emergency." With the loan, we will be able to restore "the stability of our finances and exchange system."

Deputies Criticize Terms of U.S. Credit

PA2702223595 Mexico City REFORMA in Spanish 24 Feb 95 p 1A

[Report by Alicia Ortiz, Clara Torres, Julieta Medina, and Norma Jimenez]

[FBIS Translated Text] PRI [Institutional Revolutionary Party], PAN [National Action Party], and PRD [Party of the Democratic Revolution] legislators on 23 February indignantly criticized the terms that the United States has imposed on Mexico as conditions for U.S. financial assistance. The legislators regard the terms as inflexible and harsh. They demand that more information be given to the Mexican Congress and that the latter refrain from endorsing any agreements harmful to the country.

Rodolfo Becerril Straffon, PRI senator and president of the Senate's Commerce Commission, said: "The United States has imposed very rigid trade and financial terms. Despite this rigidity, however, I am sure that Mexico will honor its obligations on time. Even if the terms were not applied, the harshness of these terms nevertheless causes us annoyance and indignation."

Gustavo Carvajal Moreno said that they will ask Finance Secretary Guillermo Ortiz to appear before the Senate and explain the terms. He added that it is not necessary for Mexico to offer its crude oil sales revenue as collateral. "This will not be necessary because Mexico has always honored its obligations. Our amortization capability and international word are more than sufficient to meet such a situation."

PAN senator Emilio Goicochea Luna criticized the terms, saying they are restrictive and affect employment and the circulation of currency, aspects that will be difficult to control because of the country's deteriorating economy.

PRI senator Carlos Sales Gutierrez said they must have more information on the immediate economic policy guidelines. He also said that the clauses of the agreement are economically and financially harsh. "More than blood, sweat, and tears, the government should offer a consistent program that demonstrates the possibility of obtaining expected results in a more or less specific period of time."

PRD senators Heberto Castillo and Cristobal Arias agreed that the idea of offering crude oil sales revenue as collateral for credits is bad because Mexico would not be able to use that revenue or obtain any interest income from it. "We cannot accept humiliating terms that violate our sovereignty and harm the nation's interests. The truth most be spoken," he said.

PAN, PRD, PT [Labor Party] deputies, and PRI deputy Alejandro Rojas will vote against the U.S. credit because, they said, this credit violates the country's economic sovereignty.

Army Maintains Control of Former EZLN-Held Areas

PA2702202195 Mexico City EL FINANCIERO in Spanish 23 Feb 95 p 33

[Report by Angel Viveros]

[FBIS Translated Text] Ocosingo, Chiapas, 22 Feb—Here in the middle of the Lacandona Jungle, where the EZLN [Zapatist National Liberation Army] was born, an increasingly tight cordon has been established to guarantee the security of 100 communities and 300 km of road where Zapatist strongholds used to be. Meanwhile, swearing on the oath of being both "a Mexican and a general," Mario Renan Castillo Fernandez, commander of the 7th Military Zone, said it is absolutely false that there has been any torture, any human rights violations, or a single shot fired since the day an arrest warrant was issued for Subcommander Marcos.

In any event, people are afraid, some families will not accept the Army's help, and some communities seem like ghost towns. In Guadalupe Tepeyac, where Marcos' central garrison was set up, it seems as though the devil himself has appeared, prompting everybody to flee, leaving their belongings behind. Even some ski masks were left hanging on trees, and pigs and chicken were left abandoned. Soldiers have been ordered not to touch anything or to enter the abandoned houses.

Aguascalientes is surrounded by a deathly silence, which is only broken by the sound of the wind. This is the place where the first National Democratic Convention was held. The only thing left from that meeting are the remnants of a large tent that could not withstand the wind and rain. Now, soldiers in fatigues are posted there, guarding the sector.

In this same place, at the end of a walkway leading up a few steps, is what is left of Marcos' garrison. A wooden door engraved with a five-pointed cross painted in red—this is the entrance to a room measuring five-by-three meters. A bed, two desks, and a pair of old chairs are the only furniture that now serve as silent witnesses to the Zapatist operation.

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Across the room is a library with books on Mexican history, medicine, politics, and even a section of Marxist publications.

According to General Castillo Fernandez—the person in charge of the entire military operation in the 18,411.4 square km where the EZLN maintained most of its operations and which now are patrolled by air and ground forces—this is a deterrent military action, not an attack. He added that not one single shot has been fired, and he denied reports of abuses being committed by the military forces. He said, "Those who are against us will always make accusations, but they will not present any evidence, because there is none."

Meanwhile, peasants from several strategic areas in the conflict zone consulted by this reporter during an extensive tour of the region expressed various opinions. Some want the Army not to withdraw and to continue with its patrols; others are afraid of the Armed Forces; some blame Marcos for their suffering; and yet others prefer not to say anything. Instead, many of these people have fled their homes, leaving ghost towns behind.

In the community of San Quintin, some 25 peasants, after confirming that we were not members of the Human Rights Commission, stopped speaking solely in their native language and told us that a group from the commission had arrived on Saturday to ask them to join forces to expel the Army from the area. They said they refused because, according to them, the Zapatists were charging them fees to pass through checkpoints and even sold their products—products the Zapatists obtained at low prices from the producers—at higher prices to buyers on the other side of the river.

Some fled in disarray when tanks, machine guns, heavy trucks, and helicopters started arriving. According to reports, there are 26,000 displaced people who have sought refuge in private homes or in caves in the mountains. The latter are just now coming down from the hills to return to their communities.

We also confirmed that the amnesty law, which has not yet been debated in Congress, is already being applied by the Army. Last Tuesday in Monte Libano, 12 disarmed Zapatists surrendered to authorities in their community and resumed their day-to-day work. Meanwhile, soldiers and members of the Judicial Police did not even interrogate them.

When we asked Gen. Castillo Fernandez whether the Army would be willing to withdraw at this point to create conditions for a dialogue, he simply answered that the institution's greatest pride is its obedience to the supreme commander of the Armed Forces and to the Congress of the Union.

In any event, he said he is convinced that the government plan to dismantle the movement and restore peace in Chiapas through dialogue will be effective, because conflicts "are not resolved with weapons in my country."

Meanwhile, Gen. Alfonso Hernandez Morales, commander in charge of assisting the civilian population in Las Margaritas, where a white flag symbolizing peace has been hoisted over the municipal palace, explained the assistance plan. He said it was initially rejected in some areas, but he expressed optimism about the situation. In his own unique style, he said: "My government is very clever; it is quickly reaching an agreement to prevent a long-term fraticidal war."

All military detachments in Chiapas agree on two points: This is not a case of war, but a disruption of order.

They said that no one is being persecuted or interrogated and that only nine people have been arrested, of which three had arrest warrants pending against them, and the rest for illegal possession of weapons.

According to the commander of the military zone, only 6,000 soldiers and just three days were needed to take control of the towns that were held by the Zapatists.

He admitted that since the beginning of the conflict in January 1994 until 10 February of this year—when Colonel Hugo Manterola was killed upon arriving in Guadalupe Tepeyac, the site of Marcos' central garrison—14 soldiers and 90 Zapatists have been killed. Nearly all of the deaths occurred in 1994.

Legislators Deliver Chiapas Dialogue Proposal to Bishop

PA2702221295 Mexico City LA JORNADA in Spanish 24 Feb 95 p 5

[Report by Nestor Martinez and Mireya Cuellar]

[FBIS Translated Text] Bishop Samuel Ruiz yesterday received from the Legislative Commission for Chiapas its six-point proposal for a peace dialogue. He promised to deliver it to Subcommander Marcos as soon as possible in order to receive a reply by Tuesday.

Speaking during a private meal with members of the National Mediation Commission (Conai) and the Legislative Commission, Samuel Ruiz deemed the proposal "satisfactory" but objected to some points. Those points were not further identified.

Later, the Legislative Commission met, in virtual secrecy, with Government Secretary Esteban Moctezuma, who was apprised of the proposal and the recent meeting with Conai. It was learned that the official was generally in agreement, except on two points: the drawdown of the Mexican Army and issues dealing with a buffer zone.

That night, in San Lazaro, after the meeting between the legislative commission and the first permanent commission, PRI [Institutional Revolutionary Party] Deputy Armando Ballinas reported that progress is being made that "is very important to reaching an agreement between the executive and legislative branches, and to

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achieving a lasting, effective, and true peace." He anticipated that agreement would be reached on the document in a matter of hours.

Ballinas said that the special period of sessions to debate the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas will begin Thursday.

PAN [National Action Party] Deputy Rodolfo Elizondo Torres, a member of the Legislative Commission for Chiapas, summed up the day's meetings: "In general terms, the proposed document was well received both by the Government Secretariat and Conai. I cannot specify what the differences are, but we are essentially in agreement."

Legislative sources that attended the meeting with Conai, which was held in Conai offices in the Del Valle neighborhood, reported that Bishop Samuel Ruiz had said that he would forward the proposal to the EZLN [Zapatist National Liberation Army] leadership over Radio Ocosingo. Once the Zapatists agree, their reply will also be aired by Radio Ocosingo.

The six points in the Legislative Commission's proposal, according to reports that deputies and senators have leaked from behind their curtain of silence, are:

- Establish a buffer zone or neutral area that offers physical conditions for dialogue. (does not exist as of right now)
- Grant temporary amnesty that offers guarantees during the dialogue for Zapatists against whom arrest warrants are outstanding and that it not be conditional on disarming.
- Create an agenda of solutions to Chiapas' social and economic problems with the agreement of all sectors of that society.
- Set a date for the talks.
- That the agreements made by Congress be shared with the president. With a view to this, before presenting the proposals to the plenum, legislators will hold consultations with executive branch representatives.
- The definite amnesty law should be the last phase of the peace process and its benefits will be conditional on the EZLN laying down its arms.

EZLN Rebel Cited on Conditions for Dialogue

PA2702182695 Mexico City LA JORNADA in Spanish 22 Feb 95 p 7

[Report by Oscar Camacho Guzman]

[FBIS Translated Text] Lacandona Jungle, Chiapas, 21 Feb—Hiding somewhere in the jungle, just as many other members of the EZLN [Zapatist National Liberation Army] are doing, the insurgent Jacobo has warned, "We will not lay down our weapons, and if the government continues pressuring us and entering our territory, if it does not withdraw, there could be another 1 January, because we are being driven by persecution."

After several days of making the jungle a safe haven "against the military forces," Jacobo said: "Although the EZLN does not want a war, because war is not something to be toyed with, we will have to reply. Before we lay down our weapons, however, all of us would rather die fighting than be humiliated."

Jacobo explained that when he says "all of us" he is talking about "no less than 10,000 Zapatists" who, according to Jacobo, are currently hiding in the hills and mountains of the Lacandona Jungle.

Speaking calmly, deliberately, and without hesitating, Jacobo added that, within the EZLN, "we are ready to reply," but, "for the time being, the order is to resist" and to "make it clear that the government, not the Zapatists, is the one that wants a war. We want a dialogue, but not this way. We are being surrounded."

In explaining why the Zapatists will not lay down their weapons, he cited El Salvador as a recent example.

"We will not let what happened in El Salvador happen to us. There, the rebels were deceived. They were asked to lay down their weapons to open the way for a dialogue and a cease-fire. They turned in their weapons, and the war ended with the government's promise that their demands would be met. After laying down their weapons, however, everything went wrong. The government did not comply with its commitments, and things have not changed for them. The government makes promises, but it fails to keep them."

Regarding the situation of "no less than 10,000 Zapatists" who, according to Jacobo, have sought refuge in the jungle following the military offensive, he said the situation is becoming more severe every day, adding that unless the Army withdraws, they will have to "defend themselves."

He said: "We want to be left alone and to have the government withdraw its Army. That is what we want as a condition for dialogue."

He warned: "If this is not done, there could be another uprising. There could be another 1 January. This is not what we want, because war does not benefit anyone. Unless the government withdraws its Army, however, there could be a war, because we are prepared to fight."

He noted, however, that "it seems the government no longer wants a dialogue." He added that his assumption is based on the fact that "more troops are arriving each day and they are going deeper into the jungle. For us, this does not show that they want a dialogue."

He added that in various communities "PRI [Institutional Revolutionary Party] people are reporting us and telling the Army where we have gone. This has resulted in some arrests. An example is Zapata, where two of our members were detained after PRI members in San Quintin disclosed their whereabouts."

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Jacobo said not all of those who are in the jungle are EZLN members, but he added that "they are Zapatists" and are not returning to their communities because "they are afraid they will be identified as Zapatists, arrested, and tortured."

From the jungle site where he and many other Zapatists are hiding, Jacobo reiterated: "We will continue struggling until the 10 points we demanded on 1 January are fulfilled. We will not surrender our weapons until those 10 points are complied with. We prefer to die with dignity fighting for those demands rather than to continue being humiliated and exploited as we have for years."

Finally, Jacobo reiterated the demand, which has been made since the Army entered Zapatist territory, for the withdrawal of government troops to enable peace talks to begin.

During a tour of the conflict zone between Ocosingo and Las Margaritas, it was possible to confirm that Mexican Army troops are advancing deeper into the Lacandona Jungle. It was unofficially learned that an operation will begin Wednesday [22 February] to comb the hills and mountains searching for the Zapatist leaders.

Military reinforcements have been arriving in the conflict zone since last Saturday, and convoys are intermittently seen on the dusty gravel roads leading to the towns farther away from the municipalities.

Additional soldiers have been seen heading toward the community of Guadalupe Tepeyec—what was the EZLN's main bastion—along with tanks, trucks, and artillery.

Some of the inhabitants who have returned to their homes have reported that when the convoys arrive, townspeople are rounded up while their homes are searched for Zapatists. They also noted that several people have been interrogated.

Meanwhile, traffic along the roads is being controlled by military checkpoints. Name, destination, occupation, reason for traveling, and how long a person plans to stay are some of the questions soldiers inevitably ask people transiting the roads in the area.

In some towns, people are beginning to arrive. Many of them claim to be displaced Indians and peasants. The government has "invited them" to return to their communities, assuring them that "there are guarantees."

However, one of the displaced people who decided to turn back said: "From what we can see, we still do not know when things will be safe again. We have been told that the Army has given guarantees, but then we have heard that some soldiers have been killed. If they themselves are not safe, why should we return? We might as well wait until there is real peace."

Observers Tell Zedillo Dialogue on Chiapas Possible

PA2702185695 Mexico City LA JORNADA in Spanish 23 Feb 95 p 3

[FBIS Translated Text] The Pluralistic Group of Observers for Peace in Chiapas [Grupo Plural de Observacion por la Paz en Chiapas] informed President Ernesto Zedillo yesterday that dialogue between the parties involved in the conflict in that state "is possible and viable" as long as certain conditions are met to create a climate to prevent the escalation of war.

In a letter sent to President Zedillo, the group, consisting of senators, deputies, and human rights activists, noted six conditions that are indispensable to achieve that objective: indemnification to the towns affected by the conflict, the creation of buffer zones supervised by the International Red Cross, and the release of political prisoners.

Other conditions mentioned are the recognition of the National Mediation Commission (Conai) as the mediator between the federal government and the Zapatist National Liberation Army [EZLN]; absolute respect for Articles 16 and 76 of the Constitution, which regulate the actions of the Armed Forces; and a guarantee of the conditions that will permit the return of displaced people to their homes. In addition, members of the Mexican Army must return to the positions they held on 8 February.

The note stated that after touring the conflict zone, the group members concluded that Bishop Samuel Ruiz, Conai, and the diocese have become targets for government forces, as well as the federal government, with the intention of creating situations to continue the war.

According to the letter sent to President Zedillo, the campaign against the diocese is definitely part of a strategy orchestrated among the most violent circles of landowners and cattlemen, the Chiapas government, and certain sectors of the federal government. Therefore, they demanded that the government end that campaign of attacks.

Report Reviews Creation of EZLN

PA2702002595 Mexico City REFORMA in Spanish 21 Feb 95 p 2A

[First of two installments of a report by Clara Torres]

[FBIS Translated Text] The creation of the Zapatist National Liberation Army [EZLN] was one of the objectives of the National Liberation Forces (FLN), according to the statutes drafted by the FLN National Directorate on 6 August 1980.

This confirmation was gathered from a document sent to REFORMA, which was supposedly found in the home of

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Maria Gloria Benavides Guevara, alias Elisa, who was arrested on 8 February and charged with being an EZLN leader.

The EZLN is the rural arm of the FLN, while the clandestine networks and cells of the organization Fighting Students and Workers [Estudiantes y Obreros en Lucha] (EYOL) operates in urban areas, the document explains in Chapter 9.

Linking the FLN to groups of workers, unemployed people, and city students; recruiting new active members for the armed fight; and infiltrating the economic, political, and military apparatuses of the "enemy" are among EYOL's responsibilities.

The FLN is a political and military organization whose mission is to help the workers in the city and countryside take over political power to install a people's republic with a socialist system," the first paragraph of Chapter 2 on General Principles states.

It also indicates that imperialism, especially U.S. imperialism, and its local partners—the Mexican bourgeoisie and the puppets who make up the Mexican bourgeois state—are enemies who oppress and exploit the Mexican people. In order to defeat them, the FLN is combining a political and military fight with military and ideological policies.

"The FLN stems from the historical need of the Mexican people to organize and engage in revolutionary violence to eliminate oppression. It is also the culmination of a long struggle by our people," the document states.

Chapter 3 deals with the FLN's symbols. The slogan "Live for the fatherland or die for freedom" is Vicente Guerrero's phrase. The flag is a five-point star on a black background with the initials FLN. The anthem "will be the product of FLN members' creativity," and its pledge of allegiance is as follows:

"I pledge before the memories of our heroes and martyrs and the proletariat of the world that I shall defend the revolutionary principles and fight, until death if necessary, those who oppress my Fatherland. Live for the fatherland or die for freedom."

In addition to creating the EZLN, as stipulated in Chapter 4, Point B, the FLN's duties also include fighting alongside country and city workers; guiding them to ensure that they will be able to take over political, economic, and military power; creating a single political party based on Marxism-Leninism; and handing over factories to workers and land to peasants.

The following are among the goods the FLN will expropriate: large factories and industrial facilities while respecting small handicraft or family workshops; large agricultural and forest lands; businesses; the media and public transportation; private schools; private laboratories, clinics, and hospitals; the properties of homeowners. It also speaks of nationalizing credit institutions, establishing controls on foreign exchange, dissolving the oppressive army, and creating a popular army from the EZLN.

The statutes mention the Indians only in the portion that states: "The state will guarantee to Indian groups their right to recover their lands and to rescue and safeguard their culture, dialects, and traditions while respecting their social organization."

Commemoration dates are 6 August, the anniversary of the foundation of the FLN; 14 February, the anniversary of the victims of Nepantla, Mexico State; and 8 October, International Fighter's Day.

On 9 February, the government reported that the armed movement in Chiapas was "neither popular, Indian, nor from Chiapas" but a direct outgrowth of a guerrilla group called FLN.

For this reason, the authorities ordered the arrest of Rafael Sebastian Guillen Vicente, better known as Subcommander Marcos; Fernando Yanez, alias German; Jorge Javier Elorreaga Berdegue, alias Vicente; Jorge Santiago, alias Santiago; and Silvia Fernandez, alias Sofia and Gabriela; and announced the arrest of Maria Gloria Benavides Guevara, alias Elisa.

The document the government has delivered to the media as part of the "News Package on the Situation in Chiapas" served to prepare the following chronology:

1972. Maria Gloria Benavides Guevara is a student at the School of Medicine of Nuevo Leon and at the Superior Teachers School of Monterrey. Here she meets Nora Rivera, a teacher attending school there who is also an FLN head. Gloria Benavides decides to leave school, join the FLN, and go to Nepantla with Nora Rivera and her mate, Napoleon Glockner Carrete. There she meets Fernando Yanez Munoz, alias German. (Footnote 2)

14 February 1974. Clash with the Army at the FLN's Casa Grande in Nepantla. Mario Sanchez Acosta, Gloria's mate; Carmen Ponce Custodio, alias Sol; Denise Prieto Stock, alias Maria Luisa; and Alfredo Zarate Mota, alias Santiago and Gabriel, die. Gloria Benavides and Raul Sergio Morales Villareal are arrested and taken to Lecumberri. (Footnote 4)

September 1974. Gloria Benavides is released on bail and goes to Lecumberri every week to sign the record book and visit Raul Sergio Morales. (Footnote 2)

End of 1974. Gloria Benavides, Sergio Morales, Mario Saenz, alias Garza, and Jose Guadalupe Leon Rosado move to El Tejar, Veracruz, and begin stashing weapons. (Footnote 2)

5 November 1976. Napoleon Glockner Carreto and Nora Rivera, alias Sandra La Changa, are found in Mexico City shot to death. They were executed by the

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FLN after Gloria Benavides accused them of revealing the weapons cache in Nepantla's Casa Grande. (Footnote 4)

1976. Gloria Benavides moves to Chiapas under the alias Alicia. (Footnote 2)

1977. Gloria Benavides marries Jorge Velasco del Rincon, alias Ismael.

1977. Rafael Sebastian Guillen Vicente registers at the School of Philosophy and Literature of the National Autonomous University of Mexico. (Footnote 1)

November 1978. Sebastian Guillen participates in the conference "Philosophy and the Creation of Knowledge," which was part of the symposium "Analysis of the 10 Years of 10 Popular Movements of Mexico" [name as published] organized by the Mexican Cultural Workers Front [Frente Mexicano de Trabajadores de la Cultura]. (Footnote 1)

Footnotes

(1) Curriculum Vitae of Rafael Sebastian Guillen Vicente. Attorney General's Office.

(2) Deposition by Maria Gloria Benavides Guevara at the Attorney General's Office. She later declared she signed this deposition "under pressure."

(3) Deposition by Salvador Morales Garibay. Attorney General's Office.

(4) Gloria Benavides' clandestine activities record.

Part 2 of Report

PA2702003395 Mexico City REFORMA in Spanish 22 Feb 95 p 3A

[Second of two installments of a report by Clara Torres]

[FBIS Translated Text]

The EZLN [Zapatist National Liberation Army] Is Organized

Based on official documents, we can trace the course certain EZLN members have taken since their time at the UAM [Autonomous University of Mexico] Xochimilco until the Lacandona Jungle.

1978. Salvador Morales Garibay, a professor at the UAM Xochimilco, meets Professor Silvia Hernandez Hernandez, an art history teacher, and asks her to help him print the CONCIENCIA PROLETARIA [PROLETARIAT CONSCIOUSNESS] magazine. Morales does this work for free. (Footnote 3)

1979. Sebastian Guillen begins working at the Theory and Analysis Department of the School of Science and Arts at the UAM Xochimilco. (Footnote 1)

28 November 1980. Sebastian Guillen graduates with honors after defending his dissertation "Philosophy and Education: Discursive and Ideological Practices."

1980. Silvia Hernandez leaves the UAM and introduces an individual named Javier to Morales. In November, Javier invites Morales to San Cristobal de las Casas to take a first-aid course. Once there, he realizes that Guillen, known as Zacarías and who is a UAM colleague, organized the course. (Footnote 3)

1980. Jorge Velasco, Gloria Benavides' companion, dies in San Cristobal de las Casas. FLN [National Liberation Forces] sympathizers teach first-aid courses. (Footnote 2)

1980. Some peasants are taken to other states to become nurses or radio technicians or to take other production courses. (Footnote 3)

1981. Alberto Hijar, an FLN Political Bureau member, has some problems, quits the group, and goes to Nicaragua, where he meets Sandinist Commander Lenin Cerna. Gloria Benavides and Sebastian Guillen later receive military training there. (Footnote 3)

1981. Sebastian Guillen explains the FLN structure to Morales. Fernando Yanez, alias Raul, is the main FLN leader at the national level.

1981. Gloria Benavides, then alias Esther, meets Rafael Sebastian Guillen, known as Zacarías, who is president of the Mexican Cultural Workers Front. (Footnote 2)

1982. Guillen requests a leave of absence from the UAM from 3 May to 15 October.

1983. Gloria Benavides participates in EZLN activities and has command. (Footnote 2)

1983. Names are changed after certain people who took the first aid courses are arrested. Fernando Yanez is now German, Gloria Benavides is Elisa, Sebastian Guillen becomes Marcos. In November, they become Commanders German, Elisa, Jorge, Javier, and Frank and go into the jungle to prepare what would later be the EZLN. They train under the orders of German. (Footnote 3)

3 February 1984. Guillen resigns from the UAM.

1985. The FLN holds talks with Bishop Samuel Ruiz, who had learned they had weapons and became aware of the organization through the catechists. (Footnote 3)

1985. EZLN structure: recruits, rebels, sublieutenants, lieutenants, second captains, first captains, and commanders. (Footnote 3)

1985. Gloria Benavides marries Jorge Javier Elorreaga Berdegue. (Footnote 2) Another report (Footnote 4) states that Elorreaga met Benavides in Chiapas in 1986; they lived in several places and later moved to Mexico City.

1986. Elorreaga becomes friends with German and works in advertising. (Footnote 4)

1987. Gloria Benavides ceases to have command, although she keeps her rank as commander. Her participation within the EZLN diminishes due to her pregnancy. She loses the child and devotes herself to systemizing information and creating propaganda. (Footnote 2)

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1988. The EZLN is reorganized: recruits, rebels, sublieutenants, lieutenants, second captains, first captains, subcommanders, and commanders. (Footnote 3)

1992. Another EZLN reorganization: recruits, rebels, sublieutenants, lieutenants, second captains, first captains, majors, lieutenant colonels, colonels, subcommanders, and commanders. (Footnote 3)

January 1993. In a vote, Sebastian Guillen receives approval to begin the war. Those who oppose it are dismissed. Fernando Yanez becomes the first secretary of the new FLN structure. (Footnote 3)

1993. They reach an agreement in the jungle: Rodrigo, German, and Marcos are the commanders. (Footnote 2)

January 1994. The Uprising. In several interviews, Marcos explains the movement begun 10 years ago.

7 July 1994. The last time Elorreaga sees "Marcos, during an Azteca Television interview. (Footnote 4)

6 February 1995: The last time Gloria Benavides sees German in Mexico City. (Footnote 2)

7 February 1995: The last time Elorreaga sees Gloria Benavides. (Footnote 4)

Footnotes

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(3) Deposition by Salvador Morales Garibay. Attorney General's Office

(4) Deposition by Javier Elorreaga.

(5) Gloria Benavides' clandestine activities record.

PRD Statement Backs Search for Peace in Chiapas

PA2702215395 Mexico City LA JORNADA in Spanish 23 Feb 95 p 50

[Statement issued by the PRD's National Executive Committee: "For a peaceful, dignified, and just solution to the conflict in Chiapas"—published as a paid advertisement]

[FBIS Translated Text] At the 21 February session of the National Executive Committee, at which the PRD's [Party of the Democratic Revolution] leader in Chiapas was present, the country's political situation was discussed, and in particular the development of the conflict in Chiapas. The following resolutions were unanimously approved.

1. To provide full support to the "emergency initiative" for mediating the armed conflict, which was presented by the National Mediation Commission (Conai).

2. To demand respect for Indian peoples, political leaders, and all those who struggle for social progress. To demand freedom for political prisoners, and the complete suspension of hostilities, the withdrawal of Army troops, and the establishment of demilitarized areas for the negotiations.

3. To demand protection for people who have been displaced and evacuated, as well as guarantees for their return to their places of origin. To demand guarantees that no attempt will be made to artificially modify the demographic and cultural composition of the area.

4. To issue a call for the immediate establishment of a negotiating table with the participation of the main political, economic, and social interlocutors in Chiapas to discuss the root problems and to define the terms for a transition to democracy and a new constitutionality.

5. To foster understanding and cooperation with the State Assembly of the People of Chiapas and in particular with Amado Avendano. To strengthen unity and the PRD's leading role in the state's overall movement toward democracy. To appeal to the companeros who resigned from the party's State Directorate to reconsider their decision.

6. To promote the convergence of all efforts in favor of mediation, negotiation, and reconciliation in Chiapas, including those of the Pluralistic Commission of the Congress of the Union, to achieve the complete fulfillment of regional and national agendas so that the democratic reform of the state may become a reality.

7. To present a complete proposal for peace with justice and dignity, which should become a topic for a special session of Congress, along with the social and economic policies that must be revamped to achieve the resolution of the existing problems.

8. To strengthen the democratic and republican mechanisms for resolving conflicts and to continue participating in civilian society's broad peaceful movement against war.

DEMOCRACY NOW; HOMELAND FOR EVERYONE!
National Executive Committee

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El Salvador

Calderon Sol Defends Economic Plan Against Protests

PA2702222495 San Salvador Radio Cadena YSU in Spanish 2200 GMT 23 Feb 95

[Report by Balmore Parada; from the "YSU Radio News" newscast]

[FBIS Translated Text] After condemning the labor unrest of the past few weeks, President Armando Calderon Sol has said that false leaders are politically manipulating those actions. President Calderon Sol said the strikes by ANTEL [National Telecommunications Administration] and Social Security workers, as well as by demobilized soldiers, are unjustified. He said that the central government does not understand the reason for those protests. Regarding the economic measures promoted by the government, he said that the economic plan has not affected anyone.

[Begin Calderon Sol] I believe there has been manipulation. I regret this situation because we do not see any specific problem here. You have seen that the government and the economic plan have not affected anyone. The value-added tax [VAT] has not been increased. The economic plan only brings benefits and creates new jobs. The plan does not require sacrifice from the Salvadoran people. It does have a cost, but it will be paid by those who have more, who will pay more taxes. We must be more effective in collecting taxes, and close the doors to tax evasion. The people, however, [words indistinct] the economic plan. It will only benefit the people.

Those who are saying that it will cost the Salvadoran people should explain what those costs are. There are false leaders who are deceiving the people, promoting marches and strikes, and manipulating the situation politically without any real reason.

I regret this, and I ask the labor sector and union leaders not be manipulated by selfish and mean political interests who are trying to use them. The government's economic plan will only bring benefits to the country and will not have any cost for the most needy, because we have already decided that those who create wealth and must pay taxes will be the ones who will assume the cost.

The Salvadoran people know that VAT was not increased, that the country's main economic problem is the need to create new jobs; that is what we need. For that, we need stability; we do not need demonstrations, we do not need the state of unrest that many are trying to create so there will be no new jobs, no stability, and thus prevent the consolidation of the democratic process, and the establishment of a real state of law.

We regret that there are still people whose minds are still anachronistically in the past and who are always trying to promote subversive and destabilizing activities, which I believe the Salvadoran people reject. [end recording]

The labor protests of the past three weeks were against the economic measures the government will implement in the country and the privatization of public services, water, electricity and telephone services, according to union leaders in those government institutions. Workers in the Public Works Ministry have announced they will go on strike beginning Friday and until the government accepts their demands, which includes the removal of the director of urban development and architecture.

Guatemala

Peace Commission Chief Rules Out Accord by August

PA2702220995 Mexico City NOTIMEX in Spanish 2145 GMT 25 Feb 95

[FBIS Translated Text] Guatemala City, 25 Feb (NOTIMEX)—Hector Rosada, president of the government's Guatemalan Peace Commission, ruled out the possibility of reaching an agreement with the guerrillas to end the armed conflict in August as the United Nations had proposed.

Guatemalans must not prepare themselves for a "party" to celebrate the signature of a peace agreement in August as the United Nations had stated in a propsal that includes timetables for the negotiations, Rosada said yesterday.

The official also warned about the possible loss of interest by the United Nations in the Guatemalan peace process because of the continuous postponing of the signing of a peace agreement, which seeks to end an internal armed conflict that has left at least 175,000 people killed in 34 years of fighting.

He accused the rebel Guatemalan National Revolutionary Unity (URNG) of using dilatory tactics in the peace negotiation process.

The URNG told the United Nations yesterday that it is willing to resume the peace talks with the Guatemalan Government on 15 March and not on 1 March as the organization had proposed, a date that had been accepted by President Ramiro de Leon Carpio.

Manuel Conde, chief of the Central American Parliament's Peace Commission, who was Rosada's predecessor in the negotiations, said the most important thing is that the URNG agreed to return to the negotiations table to find a solution.

Conde said the guerrilla leaders must abandon their inflexible positions and, along with the government, must show signs of a real political commitment to sign a peace agreement as soon as possible.

Nineth Montenegro, leader of the independent Mutual Support Group, said there is a danger that the United Nations could withdraw its support from the peace

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process, which could lead to the country's economic isolation and the end of human rights assistance to the country.

The peace talks were suspended in November when both parties failed to sign an agreement on the topic called "Identity and Rights of the Indian Peoples."

As for the UN proposal to resume the talks, which includes a timetable to make progress in the peace process, the URNG said "in no case should they be compulsory."

The United Nations proposed 15-day time periods to discuss and sign agreements in all topics of the negotiation with the purpose of signing a peace agreement in August.

The URNG promised the United Nations that it would suspend sabotage actions that did not have "military implications" in Guatemalan territory to promote the resumption of the dialogue.

President Replies to UN Negotiation Proposal

PA2402200495 Guatemala City PRENSA LIBRE in Spanish 22 Feb 95 pp 2, 66, 68

["Text" of letter from President Ramiro de Leon Carpio addressed to the UN under secretary general responding to the UN proposal to resume negotiations with the Guatemalan National Revolutionary Unity, URNG]

[FBIS Translated Text] Guatemala City, 20 February 1995

Mr. Under Secretary General:

I received your letter dated 17 February and the enclosed proposal, which I have carefully and closely reviewed with the Peace Commission. Before answering it, I wish to thank you as well as all UN officials involved in our process for the huge effort and work they have done as reflected in both documents.

I reiterate once again my government's firm commitment to negotiate with the necessary seriousness and flexibility to achieve as soon as possible the conclusion of our internal armed conflict. May this prompt and affirmative response serve as proof of that and of confidence in the UN participation in the negotiations.

A more ambitious proposal was presented to us during your visit in January of this year, both in terms of timing—a much shorter period—as well as with regard to the methodology, with the simultaneous handling of issues. Likewise, the proposal included, in a more decisive and firm manner, the adoption of measures that would prevent more suffering of the civilian population.

We immediately gave an affirmative response to that proposal. We, likewise, respond affirmatively on this occasion even though we would have preferred the initial proposal. We respect the UN criteria in redrafting it given the fact that only you can, after evaluating the objections or observations of the other party, judge the present draft as more realistic. We also accept, without further comment, the fact that you have taken into account the proposals made by the Civilian Society Assembly in matters that are beyond their jurisdiction as well as the simple remarks made by the URNG, which we hope are serious and truthful.

We would also like to reiterate that we value the work done by Minugua [United Nations Mission for Guatemala] as the result of the negotiations, and we hope my government's affirmative response to the redrafting of the proposal is enough for the extension of its mandate given the fact that its verification duty is very important. Moreover, its contribution to the strengthening of institutions, which we hope will begin soon, is fundamental for our country.

I cannot fail to comment on some aspects of the proposal, without this entailing any objection. On the contrary, the aim is to contribute in a way that will make the proposal possible or feasible.

In point number one, you stated that the proposed calendar would give the URNG, if it so desired, the necessary time to fully participate in the electoral process and of doing so legally if the Peace Agreement were to be signed on time. Full participation entails the possibility of establishing a political party and naming candidates, something that the proposed calendar does not permit in accordance with the current electoral law, as confirmed by recent statements of the Supreme Electoral Tribunal.

A briefer calendar would have permitted it. Nevertheless, the obstacles could be surmounted by reforming the electoral law and with legislation that resolves personal situations, once the definite Peace Agreement is signed. I want to assure you that the government is willing to promote the necessary temporary or definitive reforms of the electoral law and is already working on the various legal mechanisms that will permit, once the armed confrontation ends, the URNG members' return to legality, without any limits on their civil and political rights.

In point number two, you refer to the official presentation of the documents from the Civilian Society Assembly sufficiently in advance so the parties may fully take them into consideration. In this regard, I would like to remind you that the parties have been aware of the Assembly's documents since December given that the assembly accepted the parties' request to submit them through the mediation process for their consideration. The formalism of an official presentation must not and cannot be considered necessary. This does not mean that the government deems those documents unimportant. It will fully participate in the necessary discussions among the parties to overcome the vacuum in the leadership of the Assembly, which cannot be assumed solely by decision of the organizing committee.

In point five, referring to better information about progress in the process, you mention the need for a concerted effort, something we deem appropriate and necessary. The government pledges to undertake a public education campaign so the population will have better

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knowledge of the negotiation process and its agreements and so that it will get involved.

Apart from these aspects, regarding the measures to strengthen confidence, we understand these not only refer to the areas touched by the armed conflict and the civilian population in those areas but to the entire country and the civilian population in general. This is how we have considered those measures.

Last, we understand that with regard to the topic of the identity and rights of the Indian peoples, negotiations will resume on the basis of the UN's second draft, without the presentation of new proposals by the parties. Likewise, there is no change in the validity of the commitment to the calendar agreement; the joint signing of the topics of strengthening civilian power and the role of the Army in a democratic society; establishing bases for the reintegration of the URNG into the country's political life; and the agreement for the definitive cease-fire.

I hope the URNG will also respond affirmatively, and we will be able to resume the negotiations in accordance with the proposed calendar and methodology.

Please convey my greetings to the secretary general and accept my highest regards and esteem.

Ramiro de Leon Carpio
President of the Republic

Nicaragua

Army Admits Selling Weapons to Peru, Ecuador

PA2702192395 Managua Radio Nicaragua in Spanish 1200 GMT 27 Feb 95

[From the "News 2000" newscst]

[FBIS Translated Text] The Army's Public Relations Directorate yesterday issued a communique stating that Nicaragua has been selling weapons to Ecuador and Peru, two countries that for one month have been engaged in an armed conflict on their common border.

This communique, issued in response to local media reports, explains that the arms sale is neither illegal nor clandestine, but a matter that is delicate and as such must be handled with discretion and consideration for the sake of Nicaragua's national security and to comply with security norms demanded by Ecuador and Peru.

In 1992, the Nicaraguan Army sent to Peru approximately 20 MiG-25 Soviet-made helicopters.

Godoy: Legislature Can Charge Chamorro With Rebellion

PA2702135995 Managua BARRICADA in Spanish 25 Feb 95 pp 1, 2

[Report by Carlos Garcia Castillo]

[FBIS Translated Text] Nicaraguan Vice President Virgilio Godoy Reyes has said the legislative branch can resort to the Penal Code to charge President Chamorro with rebellion and disregard of constitutional norms and strip her of her immunity if she insists on disregarding the Constitution the National Assembly published yesterday.

According to Godoy, Articles 520, 521, and 522 of the Penal Code clearly indicate the criminality in which President Chamorro has engaged and the possibility of trying her due to her refusal to consider the reforms valid.

Godoy believes the executive branch cannot accuse Luis Humberto Guzman, president of the National Assembly, of the same charge of disregard, "because the law allows him to publish the amendments whenever the executive refuses to do so.

Godoy has said, however, he hopes the conflict between the state branches will not go to the extreme of disabling President Chamorro due to her disregard of constitutional reforms.

Cardinal Miguel Obando y Bravo told BARRICADA yesterday, following the inauguration of the installations of the Association of Nicaraguan Newsmen, APN, that he had advised the National Assembly president to exhaust all negotiation mechanisms and seek the least traumatic solution to the institutional crisis being experienced in Nicaragua.

The Nicaraguan cardinal met separately the night of 23 February with Guzman and several magistrates of the Supreme Court of Justice, whom he urged to seek a negotiated agreement.

Obando believes convening a constituent assembly is not be a feasible option at this point: "Under other circumstances and at another time, I thought a constituent assembly was the best option, but I do not know now. I believe it would not work out."

Obando said the current crisis can cause many problems for Nicaragua: "The least that could happen to us is a decrease in the international aid we receive, the reason why I believe the politicians should negotiate and demonstrate at this time that they have backbone," he said.

The politicians should sit down and negotiate; otherwise, the Nicaraguan people will be hurt the most, Obando said.

Meanwhile, Chamorro said yesterday she supports the constitutional reforms but added they "should be approved through a referendum." Thus, she confirmed reports claiming the executive is promoting a proposal favoring a national referendum.

Chamorro met with her cabinet yesterday to "recount the negotiations with the legislative branch." It was learned that President Chamorro urged her ministers to "continue working as usual, with calm and confidence in the national stability," a government source has said.

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During his participation at the local radio station Radio Ya, Finance Minister Emilio Pereira has said the executive is examining several alternate proposals to be analyzed by the legislative branch.

Pereira has said the government "is willing to reach an agreement promptly. If an agreement is not possible, we are willing to hold a constituent assembly this year [no closing quotation mark as published]: "I am certain the international community will be willing to give us the resources to finance the constituent assembly, because this year will be a good one for Nicaragua," the official said.

The international press has described the country's institutional crisis as a "true legal limbo" which today is dampering the commemoration of the fifth anniversary of President Chamorro's electoral victory."

Assembly Agrees To Launch Offensive To Defend Reforms

PA2702223095 Managua EL NUEVO DIARIO in Spanish 25 Feb 95 pp 1, 3

[Report by Edgard Barberena S.]

[FBIS Translated Text] Yesterday, the National Assembly (AN), in a permanent session of its board of directors, chiefs of blocs, and prominent persons who supported the validity of the constitutional reforms, agreed to launch a broad offensive to defend the validity of the reforms as of the date of their publication by the media.

The AN split its offensive into three tiers to defend the validity of the reforms.

First, it agreed to address all international and national organizations and nongovernmental organizations, telling them that as of the entry into force of the reforms, any economic agreement reached under the purview of the Constitution will have to be approved by the AN.

Second, it began a broad campaign of national support for the reforms that includes the acknowledgement of their validity by the municipal governments, political parties, and civilian associations, and at the same time, it drafted a series of leaflets with the basic content of the reforms to distribute among the general public.

Several of these leaflets were published on page 12 of this issue and will be distributed from airplanes. Along the same lines, the AN held an important meeting with a large number of media directors who support the reforms and who, among other activities, will hold a radio marathon next Monday to boost popular support for them.

Third, the AN decided to take the first steps called by the reforms, including telling the executive that as of the entry into force of the reforms, any executive bill will have to be submitted with the president's signature and countersigned by the pertinent minister.

In addition, the procedure to request the lists of candidates to magistrates of the Supreme Court of Justice (CSJ) will be approved and set into motion in the plenary session to be held next Tuesday.

After learning about the decisions made by the Managua Court of Appeals not only rejecting the appeals, but also pointing out that no judicial recourse can be used against AN actions, as well as the declaration by the president of the CSJ, the AN Board of Directors agreed to send a letter to the president of the republic for the sake of national stability. In this letter, the AN notes that the reforms have come into force and that there are no legal impediments against this and advises her to meet again with the AN commission to continue implementing the reforms to seek harmony and national unity.

Panama

Lewis Galindo: San Jose Conference 'Complete Success'

PA2702213095 Panama City EL SIGLO in Spanish 25 Feb 95 p 2

[Report by Diamar Aparicio B.]

[FBIS Translated Text] Panamanian Foreign Minister Gabriel Lewis Galindo has asserted that the San Jose 11th Ministerial Conference was a complete success. He also said that the conference had achieved its objective, that of giving Panama City a new image.

The foreign minister said the conference "was a complete success. We have managed to get the most influential people in Europe to come to Panama and get a better impression of our country."

Those foreign ministers, who influence opinions in their respective countries, came to the conference and were able to appreciate Panama's potential with regard to world trade, he underscored.

Lewis Galindo also said: "The ministers now have the best impression of the Panamanians' qualifications to manage the Canal when it reverts to us in 1999."

As part of the campaign "to give the country a better image," Lewis Galindo reported, the foreign ministers toured the Canal and the reverted areas because this will allow "them to report all our assets in Europe."

The ministers also visited the future installations of the City of Knowledge, a government project to establish an international education center in the military bases that will revert to Panama in upcoming years.

The project requires an area similar to the one needed by a university campus—500 hectares—and will be assigned an area near the center of the city, in the Panama Canal area.

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This objective of the City of Knowledge project is to educate national and foreign students, especially from the Latin American and Caribbean area.

The Panamanian Government will not include this project in its budget but will give it the mentioned areas and the installations located therein. The project will start with these assets and advance as it develops.

Regarding other programs for the reverted areas, Lewis Galindo said those will depend on what the Interoceanic Region Authority (ARI) establishes.

Several European countries have already expressed an interest in the mentioned project. France has already offered to give the necessary help to develop the project.

Administrator Calls ARI Amendments 'Harbinger of Death'

PA2702220095 Panama City EL SIGLO in Spanish 23 Feb 95 p 2

[Report by Yuriela Sagel]

[FBIS Translated Text] "The Legislative Assembly's approval during the third debate of the amendments to the Interoceanic Region Authority [ARI] Law is the harbinger of death and the demise of the utilization of the reverted properties," ARI Administrator Jose Chen Barria has said.

Chen Barria, who has had serious differences with ARI Board Chairman Carlos Mendoza (the personal representative of the president before said organ) said he will make a decision about his resignation once the Board of Directors meets after said bill has been approved and promulgated.

He noted that the amendments seek two basic objectives: placing the reverted areas under the "use and abuse" of the executive, and remove him from ARI's administration.

He added that the people must clearly understand what has been done with the reverted properties in the 16 years the Torrijos-Carter Treaties have been in force and what will be done in the four years and 10 months that remain of the reversion process.

The current ARI administrator and former comptroller general stressed that he only hopes the reverted properties will be well administered, although the experience of the people anticipates the opposite.

He noted that if three members of the Board of Directors tender their resignation, there will be no quorum because the law establishes that there must be 11.

It will be up to the Legislative Assembly, however, to approve the composition of the new Board of Directors, perhaps in seven days at the latest.

The official declined to comment on the future that awaits the ARI chairman as a result of his actions.

The PRD [Democratic Revolutionary Party] steamrolled the ARI Law amendments through the Assembly, with 38 votes in favor. There were 26 votes against and six abstentions by the Papa Egoro Movement deputies.

Just like Chen Barria, ARI Board members Carlos Valencia and Rafael Arosemena have warned that they will step down because they do not wish to be part of an organ that would lack real authority under the amendments proposed by the executive branch.

According to Mariano Mena, another member of the ARI Board, Chen Barria has been harassed from the moment he refused to release properties seized from people to whom President Ernesto Perez Balladares granted a pardon late last year.

The opposition has criticized Carlos Mendoza harshly, describing him as "inept and a throwaway rag." They have also noted that the amendments completely politicize the administration of the reverted areas.

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Argentina

President To Announce 'Severe' Budget Cuts

PY2702175195 Buenos Aires BUENOS AIRES HERALD in English 26 Feb 95 pp 1, 4

[FBIS Transcribed Text] (NA-DYN)—A package of severe budget cuts running over one billion dollars will be announced this week, President Menem said yesterday in South Africa.

"We are all a little drunk from the Tequila effect," President Menem told South African businessmen at a breakfast meeting yesterday, by way of explaining the aftermath of the Mexican financial crisis.

"We are going to have to make even bigger cuts in public spending," adding to those announced at the end of 1994, Dr. Menem said.

The new cuts will be in the region of one billion dollars and probably more, and will be submitted to President Menem by Economy Minister Domingo Cavallo this evening to tomorrow morning.

The Economy Ministry was busy through the weekend with the plan to make fresh cuts and improve tax collection.

Menem praised the "deep transformation of Argentina during the last five years," and told the South Africans that his minister's economic program had the support of Argentine workers and "a majority of trade unions, and, obviously, a majority of the country's business."

The President told his South African audience that his government was going ahead with the spending cuts "even if this is an election year. We have to strengthen the economic plan. We could introduce the measures after May 14, but must gain time."

In Buenos Aires, budget under-secretary Marcos Makon said at the ministry yesterday the new spending cuts will "demand the complete overhaul of the state, as we will have to merge departments and avoid overlap." Ministry sources said that some government departments would have to close, but they did not envisage mass layoffs.

Makon said most government departments were operating with the minimum possible staff. The Economy Ministry will push for rapid passage through Parliament of the new bill to overhaul all ministries.

Former treasury secretary Juan Alemann criticized the spending cutbacks, arguing: "On the one hand they are talking about cuts and also announcing spending of 500 million dollars to build new prisons." Former economy minister Alvaro Alsogaray said the government had to keep up fiscal stability, even if it required increasing taxes.

Menem told the business meeting yesterday that his policies "had obviously had a social cost but this was foreseen," and admitted that unemployment had risen to 12 percent, "like everywhere in the world," but it had gone to 18 percent in Europe. Poverty indicators had gone from 37 percent in 1989 to 11 percent now. "It is true our imports have grown, and that we have a trade gap but this was part of the transformation policy." Privatization is almost complete, "and businesses which cost the state 10 billion dollars now produce revenue," President Menem said.

In South Africa yesterday, President Menem said he had spoken at length with President Nelson Mandela "about many things, among them the transition from apartheid in South Africa. I told him that it was not worth stirring the ashes of the past. We have to think of the present and plan for the future."

Cavallo Details Cutbacks in Government Spending

PY2802000195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2136 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—During his address to a group of businessmen this afternoon, Economy Minister Domingo Cavallo gave some details of the cutbacks to be implemented in government spending, which will amount to some 1 billion pesos.

The following is a detailed enumeration of the cuts to be implemented:

—Salaries of government officials earning more than 2,000 per month will be reduced by 196 million pesos.

The cutbacks will be applied in the following way:

—Salaries ranging from 2,000 to 3,000 pesos will be reduced by 5 percent;

—Salaries ranging from 3,000 to 4,000 pesos will be reduced by 10 percent;

—Salaries from 4,000 pesos up will be reduced by 15 percent.

This measure will affect 23,739 of the 300,000 officials working for the government.

The government also ordered a 50-percent cut in overtime in the entire public administration.

All those officials whose salaries exceed 750 pesos will not be eligible to work overtime.

Remuneration paid for contracts with national universities are also to be slashed.

—Expenditures on security and information systems are to be cut by 34 million pesos.

—Expenditures on goods and services are to be reduced by 301 million pesos. Expenditures on per diem expenses and tickets for trips abroad and to the interior will be reduced by 20 percent; those on consumption goods, by 10 percent; and those on personal services, by 10 percent.

—A 30-percent reduction in outlays budgeted for machinery and equipment, which represents savings amounting to 50 million pesos.

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—Capital and current account transfers are to be cut by 7.5 percent, which represents a savings of 163 million pesos.
—A reduction of 40 million pesos in financial investments earmarked for the Yacyreta hydroelectric dam, since it is deemed that the future concessionaire will make the corresponding investment.
—A 100 million-peso reduction in budget allocations for provincial pension funds because, according to what Cavallo said, it is not necessary, since provinces did not wish to transfer them.

Cavallo also asserted that the General Secretariat of the Presidency is drafting a program to eliminate and consolidate agencies, which is to be implemented as of 1 July, and which will reduce outlays by 150 million pesos.

In conclusion, Cavallo stated that social services will not be subject to budget cuts.

Addresses Nation on Economic Steps

PY2802035495 Buenos Aires Argentina Televisora Color Network in Spanish 2300 GMT 27 Feb 95

[Address to the nation by Economy Minister Domingo Cavallo carried over radio and television network on 27 February—recorded]

[FBIS Translated Text] Fellow countrymen, today I will talk about something we must achieve together, all of us working together. In 1991, I spoke to you many times through these same media sources. At that time, we had to fight a battle against hyperinflation, which had tormented us for decades. It was a difficult task, a utopian dream for many people, but we were able to achieve our goal.

In 1994, we had the lowest inflation rate in the past 40 years. We had the lowest inflation rate among all the largest Latin American countries with expanding economies. Between 1990 and 1994, we had the third largest growth rate in the world and the largest growth rate in the American continent.

In the second half of last year our exports started to grow faster than our imports. This trend will increase this year. We are very well prepared to launch—beginning in 1995—the great battle against unemployment, poverty, and social marginality. We will win this battle by providing for the education of our children and youngsters and the education and retraining of adults with employment problems.

We should also do more for the population's health, not only with good hospitals and efficient medical care systems, but also, and essentially, with preventive measures. This means decent housing, drinking water, sewage facilities, electricity, transport, and communications for Argentine families.

We can talk much more about the great challenges before us, but I want to concentrate on two critical items: Credits and the need for more saving.

It is essential for a family; for producers; and for small, medium-sized, and large companies to be able to obtain credits. It is also essential for municipalities, for provinces, and for the government. This means that credits for Argentina are essential for all of us and we must fight for them. You receive credits when you instill trust because someone who saved decides to lend you his money. In order to obtain credits, it is necessary to have internal as well as external savings, and, in addition to this, you must also have the trust of the owner of the funds. This means trust in you and trust in the government, which is the same as saying trust in Argentina.

We had both elements from 1991 until the Mexican crisis hit us. We had savings because Argentines, fortunately, were more prudent in terms of the spending of their incomes and because we had abundant available savings in foreign capital markets. This was something that proved very good, and it was possible because we instilled trust. We were successful in two things: To have our savings invested in Argentina, and to make investments very productive.

During four consecutive years we achieved something very few countries were able to achieve: Our consumption, investment, and export rates increased all at the same time. We clearly proved that it is not necessary to reduce consumption, as has regrettably occurred so many times in Argentina and many other countries, for a nation to be able to invest and export.

I will repeat something very important: We were able to instill trust and we obtained credits. First, we had renewed trust in ourselves. Argentines who were saving dollars under their mattresses or in safes showed trust in their country when they decided to deposit their money in local banks or when they used it to invest in our market. The same thing happened with foreign savers, or with their administrators—banks or pension funds—when they purchased Argentine company shares or Argentine bonds, when they loaned money to Argentine banks or companies, or simply when they built factories or opened new businesses here.

The benefit we obtained from all these gestures of trust took the form of loans for everyone: Each family that was able to buy new furniture; each company that was able to invest and increase its activity; and the government, which was able to recognize and pay old debts to pensioners, the provinces, suppliers, and contractors. This was possible because we instilled trust, and they believed us and gave us loans.

Regrettably, however, when Mexico decided to devalue its currency, it unleashed a crisis that is affecting all of Latin America. The withdrawal of funds by some foreign banks, the massive sale of bonds and shares by local and foreign investors, or the withdrawal of some deposits by Argentines who were scared about the possible collapse of banks are all signs of mistrust. This mistrust does not have any objective justification because Argentina and its companies are solvent, they are doing very well, and

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they are showing productivity increases in all areas and in all regions of the country.

But because the mistrust is groundless does not mean it must not concern us. We must attack this incipient mistrust right at the roots. We must quickly recover our credit-worthiness and increase savings. We want and we can count on foreign capital to help us grow. But we must do everything necessary to increase our savings at a more rapid pace than in the past. This is essential if we want to continue progressing.

We acted aggressively from the start of the Mexican crisis, but it has not been enough, and we must do more. This is why we have adopted tough but unavoidable measures today.

Besides the 1 billion pesos in public spending that we are cutting from the 1995 national budget that was approved by Congress, we announce today new measures to reduce spending and increase tax collection by an additional 3 billion pesos.

These measures are essential to ensure that we attain the goal of a balanced budget in 1995 because the credit shortage as well as the dangerous trend of tax evasion registered in January and February kept tax collection at levels considerably below those initially foreseen in the budget. If we had not adopted the measures we adopted today, we would have been running the risk of having a fiscal deficit of 3 billion pesos, and this would have increased distrust and made the recovery of credit-worthiness impossible.

The measures that have been adopted represent extreme austerity for all public employees. It is very important that the provincial and municipal governments also follow these measures adopted by the national government.

We should expect some problems because we had to cut expenses that are not superfluous at all and even reduce the salaries of mid-and high-ranking public officials. We also need great responsibility on the part of the taxpayers. We offer tax simplification and easier payment terms, but we will be relentless in punishing tax evasion.

New taxes are not being created, but we have decided to improve the existing ones to ensure equality and close all loopholes for tax evaders. Each one of you will receive in the next few days the pertinent information on this.

To ask for an invoice and to pay taxes must from now on be the principal action of social solidarity and concern for the poor. Instead of making a great to-do and blaming others for the unemployment and poverty, we must examine ourselves and ask for an invoice and pay taxes.

Besides this measure to ensure a balanced budget in 1995, we also decided that as of today the Central Bank, the Banks, Finance, and Insurance Secretariat, and the National Bank will be responsible for the banking security system and for the reestablishment of credit for the private productive sector.

The Central Bank will authorize the financial institutions to grant credits with the resources they have that stem from the legal compulsory deposits in the Central Bank without using, in any case, the hard currency reserves that back the money circulating in the hands of the public.

The consolidation and privatization of the provincial banks will be financed through a fund that was created today and whose operational instructions will be given by the Banks, Finance, and Insurance Secretariat. Foreign credits will be used in this case, rather than compulsory bank deposits.

The National Bank, which in recent days looked after the banks' safety, will return to its specific function, namely, to finance producers and companies.

As for the management of financial institutions and companies, I want to give each one of you some advise I consider very important.

First, to the savers and citizens in general: Make deposits in pesos to the extent possible to take advantage of the higher interest rates paid for our currency. There is no risk of devaluation of the peso, either now or after the next presidential election.

To those who need to borrow loans: Shop for interest rates and avoid contracting debts at high interest rates. If you are offered credit in dollars at moderate interest rates, do not fear to take out such a loan, especially if you are thereby avoiding contracting debts in pesos at interest rates that are currently very high. At any rate, if you can wait, avoid contracting a debt because all the interest rates, even those in dollars, are currently very high. Try to compensate for your needed funds by saving on superfluous expenses or expenses that can be postponed. If we all act with intelligence, the situation can soon be normalized.

Those responsible for the provincial banks: I recommend that you present the problems you may encounter to the Banks, Finance, and Insurance Secretariat.

To those responsible for the rest of the financial institutions, I suggest that you maintain permanent contact with the Central Bank if you have liquidity problems.

To the producers and businessmen for whom credit has diminished: Besides resorting to your usual financiers, I suggest that you present your problems to the National Bank. But most importantly, you must continue increasing your investments, productivity, and exports by financing them, as much as possible, with your own resources.

Our economy and our financial institutions are healthy; they have more capital than most of the financial institutions in the rest of the world. The high requirements established by the Central Bank for legal compulsory deposits fortunately allow the system to have enough

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maneuvering room to face any situation regarding lack of liquidity that could occur.

In sum, there are no objective reasons for distrust to spread if we Argentines demonstrate that we believe in our own capability and become aware of how much we have attained in the past few years.

Soon, very soon, normalcy will return to the financial markets and the economy will continue growing with stability.

President Menem is once again demonstrating that his actions are not designed to gain election related benefits, and that he is governing with seriousness, adopting each and all of the necessary measures even if they are harsh. He is doing so with the conviction that the poor will benefit from this stance.

In the past, the typical solution for a crisis such as the one unleashed in Mexico was to devalue the currency, which is tantamount to the impoverishment of all the workers and their families.

This time, in Argentina the solution to the crisis will be totally different, as has been our triumph over hyperinflation with the Convertibility Plan. Thank you.

Further on Address

PY2802042095 Buenos Aires TELAM in Spanish 2259 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (TELAM)--Economy Minister Domingo Cavallo today announced measures to reduce government expenditures by 1 billion pesos during the course of 1995 and to increase revenues by 2.300 billion pesos without creating new taxes or increasing tax rates.

During a more than one-hour speech delivered at the Argentine National Bank headquarters, Cavallo said: "We are not going to let any financial establishment go bankrupt." He also announced that as of today, the Central Bank will be in charge of dealing with any liquidity problems financial institutions may face.

He also reported that a system of payment facilities for companies and private individuals will be established for outstanding fiscal and social security debts that fell due last 31 December and that part of such debts can be paid in public debt bonds.

Given the fact that this will enable the government to recover debt bonds amounting to 2 billion pesos, the government will request that the payment for the Futaleufu hydroelectric dam, which is to be privatized this year and which was to be handled through use of debt bonds, be made in cash. The same holds true for a percentage of other privatizations to be undertaken in the course of the year.

This measure eased financing needs, therefore, the government ordered a 50 percent reduction in Treasury bills to be auctioned during 1995 and the suspension of the auction slated for 28 February.

Addressing an audience comprising more than 500 bankers, businessmen, and economists, Cavallo made an impassioned defense of the soundness of Argentine financial establishments.

"It is absolutely necessary that we should recover our trust in the economy so that we may in turn recover foreign investors' confidence," he said.

Cavallo contended that "the Menem administration decided to take these draconian measures despite the fact that we are in a pre-electoral period because we are not governing with thoughts of the forthcoming election, but rather about future generations."

He went on to say that "we Argentines are mature enough to know that one can also win an election by being serious-minded as regards economic policy."

The entire economic team and Labor Minister Armando Caro Figueroa followed every word uttered by the economy minister—who was alone on the stage—from the first rows of the auditorium.

Among those present were Amalia Lacroze de Fortabat (Loma Negra company), Humberto Volando (Argentine Agrarian Association), Adalberto Barboza (foreign banks), Julio Macchi (Argentine Stock Exchange president), Adolfo Sturzanegger (Radical Civic Union economist), and Norberto Peruzzoti (national banks), among others.

Antonio Erman Gonzalez (Justicialist Party deputy), Rolando Pitrantueno (Argentine Industrial Council), Manuel Sacerdote (Boston Bank), and former Finance Minister Juan Alemann were also in the audience.

Some of the announcements the economy minister made at the National Bank today included the elimination of tax deductions and a tax and social security moratorium.

"We are broadening the tax base on profits, on personal assets, and on added value, in eight chapters. These measures will mean additional revenues totaling 2.511 billion pesos this year," the minister said.

Cavallo pointed out that even though the package included a 220 million peso reduction in export tax returns, "this measure will be temporarily suspended and will only be used if Congress does not approve the other measures."

In the case of the VAT [value added tax] and taxes on profits, Cavallo said: "The purchase, repair, and maintenance of a car or entrepreneurs' meals and hotel expenses will no longer be accepted as tax deductions," because of "abuse."

It will also be required that "workers include in their tax reports all income, including that received in goods."

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The only acceptable donations, for tax purposes, will be those given to "medical assistance foundations and scientific and technological research."

The tax on personal assets will be reduced from the current 1 percent to 0.5 percent, but the government "will oppose making this tax progressive, as is sought by the opposition in Congress."

"Those who have more will have to contribute more. We think our revenues in this area will increase by 700 million and the money will go entirely to pension funds," Cavallo said.

The minister said the government will provide a system of spontaneous tax reporting and payment by installments on debts that were due last December.

The system will make it possible to deal with those being sued, who will have to pay cash; those whose bills have been determined by the DGI [General Directorate of Taxation], who will be allowed to pay 60 percent of their debts in bonds; and those who have omitted making payments, who will be allowed to pay 80 percent of their debts in titles.

Bonds will be accepted at their technical values, "that is, at their nominal value plus interest," Cavallo said.

"There will be facilities made available for the portion that has to be paid in cash: It will be possible to pay tax debts in 36 installments and social security debts in 48 installments, and medical and aid and assistance organizations and institutions will be able to pay their debts in 60 installments. Autonomous entities will have no limit," the minister said.

In this way the government expects to recover bonds worth 2 billion pesos, which will allow the government to free up 1 billion pesos that was appropriated in order to purchase internal debt notes.

The reduced financial need means that the amount of Treasury notes that will have to be auctioned will drop from 2 billion pesos to 1 billion pesos for the entire year.

For the time being, it was decided to suspend tomorrow's auction and wait until conditions are ripe for the market to loan the money. There will be "longer intervals" between auctions.

It was agreed, for the same reason, that the privatization of the Futaleufu [hydroelectric dam], for which a payment of 200 million pesos is scheduled in the first half of April, would be paid in cash instead of bonds.

Says Securities Auction Goal To Be Reduced

PY2702233495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2142 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—Economy Minister Domingo Cavallo said today that the volume of Treasury Notes auctioned during the first quarter will be reduced to 700 million pesos, which is 1 billion pesos less than previous plans.

The minister anticipated that the biddings will be made "in longer intervals and when the market shows it is ready to loan money to the public administration."

Cavallo also said the bidding scheduled for tomorrow was canceled because the market "needs at least a week to digest the new economic measures."

The minister's speech before entrepreneurs and bankers at the National Bank Ceremonies Hall concluded with an ovation shortly after 1820.

Businessmen, Economists Back Cavallo Measures

PY2802044895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0001 GMT 28 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—Businessmen and economists were in agreement today in conveying their support for the economic measures announced by Economy Minister Domingo Cavallo, and voiced optimism about Argentina's chances of overcoming its financial crisis.

Oscar Vicente of the Perez Companc Co. said that although "we are facing a complicated economic situation, the government is firmly trying to improve its fiscal revenues because the minister obviously needs more resources."

Vicente made it clear that his business sector "has absolutely no chance of evading taxes because neither the services nor the petroleum areas can evade taxes."

Vicente jokingly said: "Although oil is black, no one could sell it on the black market." He added: "It is impossible for us to dispense with issuing invoices in our area. Hence, we do not feel touched by the minister's message of concern."

Vicente said he is "optimistic" about the results of the new economic measures. He added that the Economy Ministry "is always heading in the same direction; that is, to try to broaden the tax base."

Vicente noted that "taxes were not paid in Argentina for a long time because it was not easy to implement the tax laws. Furthermore, in an inflation-ridden country, any tax rate rapidly becomes outdated. There was a great deal of disorder in this area."

Jorge Blanco Villegas, president of the Argentine Industrial Union, UIA, said that Cavallo's speech "has somehow restored hope" to the business sector, "especially in light of the reduction in government spending, because I consider this to be the crux of our problem."

Blanco said that "the fact that Treasury bills are not being issued frequently to finance government expenses is going to help" in solving the need to provide liquidity to the productive apparatus.

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Blanco said the UIA "wants calm to return to the market because the current situation does not benefit anyone." He stated that "this was the right time for the government to make these decisions, which we have been requesting."

Julio Macchi, president of the Stock Exchange, said that these measures "were taken at the right time," and added that "there were no other alternatives to overcome the crisis."

Macchi said that "everyone has to make his small contribution to solving the problem and to achieving fiscal balance." He also described as "very clear" the measures announced by Carvallo and predicted that they will be "rapidly absorbed by the market."

Jorge Di Fiori, president of the Argentine Chamber of Commerce, said that these measures are "very good," because "action leading to balancing expenses is paramount for any country's economy."

Di Fiori noted, however, that the main problem for Argentina is the "lack of credibility." He made it clear that the ones who do not believe in Argentina are not foreigners, but the Argentines themselves.

Di Fiori stressed that "there is a perceived lack of credibility among our citizens, which triggered a run on banks amounting to some 3 billion [currency not specified]."

The president of the Argentine Chamber of Commerce said that those who mistrust the system recall that not long ago they were told that "whoever bets on the dollar will lose, and many other things that were not fulfilled."

He expressed the belief that "it is only reasonable that Argentines should try to defend themselves even though this economic program is quite successful. This is why it is necessary to create the necessary conditions so that Argentines may once again trust the system."

Di Fiori said that it is "important to have recourse to IMF audits once again because it is necessary for Argentine citizens to have someone with internationally acknowledged prestige assure them that the economic plan is keeping accounts balanced, and that things are being handled correctly."

Businessman Santiago Soldatti, for his part, contended that "the government keeps strengthening the economic policy in the face of this crisis. This is why I think it is on the right track."

"It is important, now that elections are just around the corner, for the government to show evidence that it will not allow itself to be influenced by electoral considerations, and that it will continue its economic and fiscal program," he pointed out.

Soldatti labeled the measures Cavallo announced today as "most important," adding that "they have been adopted at a key moment for the country."

Soldatti asserted that "everybody was expecting these adjustments, as well as a stringent policy on tax collection so that we are all on the same footing as regards the DGI [General Directorate of Taxation]."

[Former] Finance Minister Juan Alemann expressed his satisfaction with the adjustment measures in the public administration ordered by the Economy Ministry. He nonetheless argued that the figures given by Cavallo concerning tax revenues "had to be analyzed."

Alemann pointed out that he had "some doubts as to whether the system was in such good shape," as contended by the economy minister.

Alemann also raised some questions about the cutbacks in spending to be implemented by the government. He argued: "I am not sure whether the figures are realistic, but I cannot give a definite opinion without analyzing them."

Market Share Values Drop 5.24 Percent

PY2702221095 Buenos Aires TELAM in Spanish 2017 GMT 27 Feb 95

[FBIS Translated Excerpt] Buenos Aires, 27 Feb (TELAM)—The price of leading shares today fell by 5.24 percent in a session characterized by scarce interest on the part of market operators. The volume traded barely totaled 12.5 million pesos, the lowest level so far this year.

Sales prevailed during the entire session and even increased in intensity by the end of the day. At the closing mark almost all shares were at their minimum values for the day.

The market weakness was crudely reflected by its two most vital components: prices and volume.

According to the Merval index, prices fell to their lowest levels for the year and are very close to the 1992 minimum of 305 points. [passage omitted]

Only one session is left before the end of the month and leading shares have already lost 24.9 percent this month. Total losses for the year now add up to 29.06 percent. [passage omitted]

Stock Exchange Head Links Decline to Bank Collapse

PY2802022395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2232 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—On 27 February, Buenos Aires Stock Exchange President Julio Macchi stated that the only explanation he could find to justify the 5.24-percent decline of the Merval index [of blue-chips] suffered today is "the collapse of the tradition-bound UK Baring Brothers investment bank."

Macchi ruled out any link between the slump in the Merval index and the budget cutbacks and tax collection

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drive announced by Economy Minister Domingo Cavallo. He pointed out that the new measures "have given rise to some expectations" in financial markets, "but favorable ones."

Macchi, who was taken aback by the drop in share prices, explained that "everything seemed to indicate that the brisk trading recorded on the stock exchange some days last week, together with Minister Cavallo's announcements, would at least result in our breaking even. Still, we find that there was a sharp decline in the Merval index today."

In this regard, the Stock Exchange president pointed out that "the only negative thing that one can relate to this slump is the failure of so important a bank as Baring Brothers, which had made investments in Southeast Asian markets, and which, in turn, triggered a 4-percent drop in the Tokyo Stock Exchange."

Macchi added that the bankruptcy of the century-old bank "may give rise" to problems in Argentina by triggering " a new pull-out by the few investors who had decided to do something."

Fund To Be Established To Salvage Provincial Banks

PY2702222695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2053 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—Economy Minister Domingo Cavallo has just announced the establishment of a trust fund, which will be earmarked for financing provincial banks and thus enable their privatization, "provided that governors act in keeping with the rationalization of these establishments."

The trust fund will be administered by the Argentine National Bank, and the Secretariat for Banks, Finances and Insurance—which comes under the jurisdiction of the Economy Ministry—will be the decision-making body.

Cavallo reiterated that the government "will not let any provincial bank go bankrupt if lawmakers pass privatization laws" authorizing the sale of these financial establishments.

Cavallo once again said that the Argentine National Bank will no longer provide financing to banks that have cash problems.

During an address given to businessmen and bankers, the economy minister asserted that "from now on, the Argentine National Bank will only lend money to the nonfinancial private sector, which is, after all, that bank's raison d'etre."

Economist Views Effects of Mexican Crisis

95SM0201A Buenos Aires LA PRENSA in Spanish 12 Feb 95 pp 6-7

[Interview with economist Roberto Alemann by Sergio Moreno; date and place not given]

[FBIS Translated Text] [Moreno] Have the spillover effects of the Mexican crisis ended or are they going to continue?

[Alemann] There has been a psychological spillover effect. Mexico had to devalue because it was left without reserves after it issued money without backing for a year (which we are not doing) and concealed it (which we are not doing either). They brought on the crisis, and since Mexico was the first country that announced that it was suspending payments on the foreign debt in 1982, people everywhere in the Americas and throughout the world thought that Mexico would trigger the domino effect: if one falls, all the rest will too. This theory was publicized in the United States, and people there believed it. No country fell after Mexico, and it has been two months since its crisis. The domino theory was not true. Over here, fear, psychosis, and hysteria spread, and large-, medium-, and small-scale savers went to their banks and withdrew their funds in pesos, more than $2 billion worth. They removed that amount of dollars from the Central Bank. This lasted from 20 December to 26 January, at which point the trend reversed. Since then the monetary reserves, and consequently deposits, have been building up slowly.

[Moreno] No country exploded after Mexico, true. But how hard was the entire region hit?

[Alemann] Not just the region, by and large. The spillover effect of the crisis on stock exchanges, share prices, and government bonds was felt throughout the world. It hurt the Asian tigers and was felt in Europe, not to mention Africa. Argentina was hit very hard because we are condemned by our past. We have fresh in our memories the 20 years of high inflation here. No one, no Argentine saver can forget this. So, the specter of the financial crises from 1975 to 1991 returned.

[Moreno] How long will it take foreign investors to return with confidence to the country?

[Alemann] I have already met foreign investors who have come back because they say that things are inexpensive here now. The financial investors who take risks are buying now, but the nonfinancial investors, the ones who really take risks, keep coming in. The return of Chrysler and General Electric was announced in recent days, and they are not the only ones. Investment continues, but it is direct, not through the stock market.

Those Who Left

[Moreno] What sort of capital left the country during the crisis?

[Alemann] Argentine savings have pulled out. The people who had money in the bank withdrew it and took it overseas. And people overseas did not come in. Everyone is looking outward. I prefer to look inward, inside the country. The crisis in Mexico was caused not by New York financiers but by the Mexicans who bolted. They withdrew money from the Central Bank, money

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created from nothing, bought dollars, and withdrew money again to buy more dollars. This was exactly what happened in Argentina in the late 1980's. The problem is local and spreads to the outside. Here, we have to restore the confidence of Argentine savers. This is the issue.

[Moreno] What do you think of the Argentine Government's moves to deal with this crisis?

[Alemann] It acted very wisely; it sought to reassure foreign investors. After the crisis began, Minister Cavallo made four trips to the United States and two to Europe, in an extraordinary personal effort. I think that he should pay more attention to the local scene, because the issue lies here. Argentine investors and savers need to be reassured, because they are not calm. Just as a psychological crisis is not born in a day, this one cannot end in a day; it lingers. But the worst is over. We now have to live with its consequences. Because $2 billion less in the banks, out of $20 or $23 billion previously, is a significant number. Much of it went overseas; another portion went from small banks into large or foreign ones, which are liquid and are not lending because they fear the same effect and have to prepare to deal with whatever might happen. And many small banks have already dealt with it. But this has consequences: the payment chain is broken; the banks are not lending to anyone, and when they do, the rates are insane. This has macroeconomic effects on the real economy. It alters purchases and sales, borrowing, and inventories and will hold down imports of intermediate and finished goods. Growth in the first quarter may be very slight.

[Moreno] Will we achieve 4.5 percent growth, as Cavallo says?

[Alemann] No one knows. The indices from one quarter cannot be extrapolated to the entire year. What I foresee is that in the second and third quarters we will have record harvests at higher prices and with bigger overseas sales of meat, milk, cotton, and wool at good prices. All of this is going to give the economy a big push, thanks to the agricultural sector. Moreover, venture capital has not dried up; construction is still expanding even though mortgages are more expensive now, and exports are up. The economy can withstand these slower growth rates during the first quarter.

The Future of the Banks

[Moreno] Is there a danger of recession?

[Alemann] In sectors like textiles, metalworking, and paper, yes.

[Moreno] How many banks are going to be left in the financial system in the next few years?

[Alemann] No one knows how many are going to be left. I maintain that the important thing is to reduce the number of head offices, but the number of branches or agencies has to increase, to provide better service. The services that the banks are providing are inadequate. To monetize, the country needs a lot more checking accounts and a lot more payments made through banks, and to this end more branches and fewer head offices are needed, which is what is happening.

[Moreno] Don't you think that Argentine banks are very expensive?

[Alemann] Of course. They charge very high fees to maintain a checking account, which is their free raw material.

[Moreno] Why is this the case?

[Alemann] Because they have no competition. The bank of reference, the Bank of the Nation, which is run by the government, is extremely expensive and as a safeguard keeps the spread between interest rates on loans and deposits at the high average of nine percent, so they say. Nine percent is three times higher than in other government banks around the world and four times higher than in private banks.

[Moreno] Are you in favor of privatizing the Bank of the Nation?

[Alemann] Of course. A Bank of the Nation run by the State can in no way be justified in this day and age. Moreover, it would be the only privatization that would leave a lot of money to straighten out government accounts and pay the debt.

[Moreno] Are the people who signed up with the AFJP's [Pension Fund Managing Companies] at risk in the event of a drop in the stock market?

[Alemann] Not at all. This is a transitory phenomenon, and they are investing for the long run, for when they retire.

[Moreno] Will the war between Ecuador and Peru have some repercussions on the economy of the region, Argentina in particular?

[Alemann] I don't think so. These are specific problems limited to those two countries.

[Moreno] The Foreign Ministry contends that the conflict could further undermine the confidence of foreign investors in the region...

[Alemann] I don't think so.

[Moreno] Could there be a another run on the banks?

[Alemann] There could be. Something else would have to happen, though; I don't know what. For the time being the run is over, and reserves and deposits are increasing mildly. But the psychology, the collective hysteria that caused it is still around.

The Danger

[Moreno] Do you see any possibility of a devaluation?

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[Alemann] No. People do not understand the convertibility system, which is a conversion fund like the one that Argentina had from 1900 to 1914 and that worked brilliantly. Under conversion-fund systems there are no devaluations, as long as the rules of the fund are observed, meaning that currency is not issued without backing, and they have been observed here.

[Moreno] Could Argentina return to hyperinflation?

[Alemann] Yes. If it devalues, it returns immediately to hyperinflation, without intermediate steps.

[Moreno] What do you think of Minister Cavallo's constant pressure on Congress to pass the laws he needs?

[Alemann] It is very important. I think that the most important laws will be passed in February and March. The administration, represented by Dr. Eduardo Bauza, already set a timetable for the bills with the lawmakers from its party, and they are going to start following it. In the end, they are not going to meet all of the deadlines, but the laws are going to be passed, which is what matters...

[Moreno] What is the administration going to do to prevent higher imports from translating into inflation, as happened in January?

[Alemann] It is going to do something. Argentina has the advantage and the misfortune to export what it eats. When a country exports what it eats, if it exports more it has to eat less, unless production rises. But in the case of meat, production is rising slowly. The same thing is going to happen with milk and dairy products, which we sell a surprising amount of to Brazil. This is going to be felt on the domestic market...

Ideas for Salto Grande and Yacyreta

Roberto Alemann is confident that the privatization of the Salto Grande and Yacyreta hydroelectric dams could be a great deal for the country, although he is not very optimistic that this will happen, especially owing to opposition from the governments of Uruguay and Paraguay. But he has a theory:

"The Argentine part of the two dams could be privatized. It would be quite complicated, but it could be done. With an operator appointed by all partners, half of the shares could be sold, with the right to sell the corresponding share of energy. For example, if you buy five percent of the capital, you are entitled to sell five percent of the energy. Since today in Argentina we have a wholesale electric-power market (the only one in the world) that operates perfectly with 25 suppliers and perhaps as many as 30,000 big customers, it is just a question of adding suppliers through this system.

"In that case you could sell because the business would be very attractive. You buy a share and sell the merchandise, you, not someone else. You look for buyers, and there is an organized market here with brokers who place the product for you. Half of Yacyreta and half of Salto Grande could be sold this way, as a corporation of course, in which the other governments would continue to own the other half and sell electric power. And a technical operator would generate and distribute the power. But the system operates really well because Argentina deregulated the wholesale system."

Bolivia

Foreign Minister Denies U.S. Pressure on Supreme Court

PY2702150995 La Paz LA RAZON in Spanish 3 Feb 95 p A9

[FBIS Translated Excerpt] Santa Cruz, 2 Feb—Bolivian Foreign Minister Antonio Aranibar Quiroga stated on 1 February that the U.S. Embassy had not pressured the Bolivian Supreme Court into granting the extradition of Faustino Rico Toro, who is accused of shipping 500 kg of cocaine into the United States. [passage omitted]

The foreign minister made this statement shortly before boarding a plane for Cumana, Venezuela, where he is due to participate—with President Sanchez de Lozada—in the ceremonies to mark the bicentennial of the Marshal of Ayacucho. [passage omitted]

Foreign Ministry 'Plan' Assigns Priority to U.S., Chile

PY2702182195 Cochabamba LOS TIEMPOS in Spanish 8 Feb 95 p A2

[FBIS Translated Text] La Paz, 7 Feb—Bolivian Foreign Minister Antonio Aranibar presented the "1995 Plan of Operations" on 7 February, in which relations with the United States and Chile are considered a priority. The foreign minister said this plan, which he labeled "historic," is included in the Overall Plan for Economic and Social Development (PGDES).

The minister presented the foreign relations plan during a ceremony held at the Foreign Ministry. He said the plan was prepared with the help of the various components of the Foreign Ministry.

Aranibar stated: "This plan is not the result of high-level decisions by the minister, it is more a coherent and corporate effort by the Analysis Unit for Foreign Policy (Udapex)."

The minister explained that "this is the first plan of its kind," adding that all Foreign Ministry departments and directorates must base their annual performance evaluation on this plan.

Aranibar stressed the importance of this multipurpose plan. He said it is the first truly serious effort by the Foreign Ministry to clearly define its objectives, activities, and responsibilities pertaining to its key role.

The annual plan of operations defines the objectives and priorities of each component of the Ministry of Foreign

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Relations and Worship, their targets, tasks, and procedures for each field of action depending on the time available. It foresees a more rational approach to Bolivian foreign policy.

Relations with the United States and Chile are considered a priority because the Foreign Ministry feels these two countries deserve special and "sensitive" treatment.

The Foreign Ministry is aware that relations between Bolivia and the United States are excessively focused on narcotics: "Bolivia's recent 'position and strategic significance' has been overshadowed by narcotics issues which the United States considers a threat to its national security."

The document considers the bilateral agenda too inflexible, adding that other issues of interest to Bolivia—the strengthening of democracy, free trade, investments, and sustainable development—are not pursued.

The document adds: It is essential to make the bilateral agenda more flexible and to diversify and develop cooperation in other fields.

The Bolivian Foreign Ministry believes increased cooperation will strengthen mutual respect and friendship between Bolivia and the United States. The plan adds: "This follows commitments undertaken by the two nations at the hemispheric summit in Miami to work for development and prosperity."

The document states that relations with Chile must be viewed from a broad viewpoint: The driving economic aspect of these relations should not be separated from political aspects.

The document says: "The emergence of new bilateral issues means Bolivia's policy toward Chile should coherently combine its claims for a sea outlet with current trends for an international and regional economy."

In the light of this, short-term interests—which frequently means private economic interests—should be reconciled with the long-term strategy to improve Bolivia's international, political, and economic situation.

The plan adds: "We must improve our options and political actions aimed at the Chilean Government and people, encouraging them to change their conservative approach over Bolivia's claim for a sea outlet."

According to the foreign minister, the "plan" will be a kind of "display window" through which the people will be able to monitor the work of the Foreign Relations Ministry. It is also the initial step toward the challenge of preparing new plans for the future.

Aranibar explained that the 1995 foreign policy strategy will not require any special funding. The plan has been prepared using funds earmarked for the Foreign Ministry in the 1995 budget.

He also explained that many high-ranking Foreign Ministry officials and employees may be upset over the citizenry monitoring their actions and passing a final verdict on the positive and negative aspects of the Foreign Ministry's performance.

Brazil

Former Ministers Called Upon To Explain Sivam Contract

PY2802032195 Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Feb 95 section T p 1

[FBIS Translated Text] Brasilia—Congress will begin to investigate the tender of the Sivam (Amazon Region Surveillance System) after Carnival through the Financial Control Committee of the Chamber of Deputies.

Deputy Arlindo Chinaglia (PT-SP) [Workers Party-Sao Paulo] yesterday gave the leaders of the committee, which is presided over by Deputy Firmo de Castro (PSDB-CE) [Brazilian Social Democracy Party-Ceara], a petition summoning the authorities responsible for the preparation of the tender that was won by the U.S. Raytheon consortium in June 1994.

Deputy Arlindo Chinaglia wants to summon former Strategic Affairs Secretary Admiral Mario Cesar Flores and former Communications Minister Djalma Morais, current Communications Minister Sergio Motta, and Raytheon of Brazil Director Alberto Jorajuria.

A representative from the Aeronautics Ministry intelligence service and Brigadier Marco Antonio de Oliveira, who worked on the tender, will also be summoned.

The Sivam involves a $1.4 billion contract for the installation of a radar system to control air traffic and defense in the entire Amazon region. The deal was disputed between an American consortium (Raytheon) and a French one (Thomson).

According to the newspaper THE NEW YORK TIMES, quoting CIA sources, the Brazilian Government allegedly chose Raytheon after the Americans learned of and denounced behind the scenes alleged bribery attempts by the French.

Besides the public sessions to learn how the contract was granted, Chinaglia also wants to question, during closed-door sessions, the French industry and commerce minister (Gerald Longuet) and the French ambassador to Brazil.

The proposal includes public questioning of four journalists: Daniela Rocha and Carlos Eduardo Lins e Silva of FOLHA DE SAO PAULO and Roberto Lopes and Carlos Conde of CORREIO BRASILIENSE.

The Brazilian Government considers the charge of attempted bribery in the Sivam bid as "very serious."

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The case, however, according to presidential spokesman Sergio Amaral, is being treated as a charge raised by the media.

"There is no information on or proof of the alleged bribery," he said. He added that the government understands that these charges were the consequence of a harsh dispute over the bid, in which 14 countries participated, "but everything was carried out with transparency."

U.S. Financing Proposal for Sivam Project Beat French Bid

PY2702173995 Sao Paulo AGENCIA ESTADO in Portuguese 1627 GMT 25 Feb 95

[FBIS Translated Text] The government chose the U.S. consortium Raytheon to implement the Amazon Region Surveillance System (Sivam), because the U.S. financing proposal was better than the one made by the French company, Thomson, which also participated in the international bidding. The Americans will finance the purchase of Brazilian equipment and services totaling $500 million with an eight-year grace period. Only after that period will the government pay for the first installment on the financing, the span of which is 10 years. A military source said: "The U.S. financing proposal was decisive in choosing the company."

Last week the French media charged five U.S. citizens (four of them diplomats) with espionage activities. According to the charges, the five people were allegedly obtaining data on various topics of interest to France. Among these were the accord for trade in films and audiovisual material within the framework of the Uruguay Round of the GATT talks, which was concluded in December 1994, and the international bidding for the implementation of Sivam, in which the Raytheon and Thomson companies participated. The Sivam project is deemed one of the largest projects for geographic mapping and air traffic control in the world. The estimate cost for the implementation of the Sivam project stands at $1.35 billion.

The war between the two bidding companies, however, did not end when the bidding results were announced. The U.S. newspaper THE NEW YORK TIMES charged Thomson with having bribed Brazilian officials in order to make sure that they would supply equipment to the Sivam project. The French, who supplied all the equipment for Cindacta [Combined Air Safety and Air Traffic Control Center] (the system that controls flights in the central-south and northeastern regions), were convinced that they would win the bidding. The French papers charged the Brazilian Government with giving in to U.S. pressure.

The French financing proposal clashed with Brazilian economic policy, as it established that part of the financing would have to be paid by the Brazilian Treasury through the issuance of Treasury certificates. The source noted: "This fact complicated the situation." Concerned about controlling the public deficit, the Brazilian economic team only allows the Treasury to issue certificates for some special operations, such as the payment of domestic debt.

Sources at the Strategic Affairs Secretariat (SAE) have denied U.S. Government pressure for choosing Raytheon. The sources also denied the bribery charges. Admiral Mario Cesar Flores, former SAE chief, asserted: "There has been no pressure, and the process has been conducted in an entirely open manner." Diplomatic sources do not deny, however, that Brazil is interested in favoring the Americans. The Brazilian Super Tucano plane, which is manufactured by Embraer [Brazilian Aeronautics Company], is participating in an international bidding for the renewal of the U.S. Air Force fleet of training airplanes. This bidding contemplates the purchase of over 700 planes.

Prospects for Cardoso's April Trip to U.S. Seen

95SM0192B Rio de Janeiro JORNAL DO BRASIL in Portuguese 30 Jan 95 p 8

[Editorial: "Calling Card"]

[FBIS Translated Text] President Fernando Henrique Cardoso's forthcoming trip to the United States, followed by a stop in London, could permanently establish the difference between Brazil and the other Latin American partners, whom international financial analysis are tossing into the potter's field of discredit in the wake of Mexico's misfortune.

Brazilians know that their country's economic situation is far different from that of Mexico and their Latin American neighbors. But the fact that Brazil was the last nation to embark on a stabilization of its economy perpetuates international apprehension with regard to this country. After all, Brazil has a longstanding reputation for letting its public finances get out of control, and until seven months ago it had an annual inflation rate of more than 5,000 percent.

Verbal fluency, tactical skills, and an awareness of the reforms Brazil needs if it is to consolidate the stabilization effort and attract the capital and know-how that are essential to recovery from the technological and social lag that separates it from the nations of the First World—all these accredit Fernando Henrique Cardoso for a role as a world leader.

The interdependence of the world's economies demands that nations constantly tout their comparative advantages. Suffocated by the crisis of the foreign debt overcome during the Itamar Franco administration—Brazil had been showing only its worst face to the world: violence and economic and social deterioration.

That image, associated with the inflation rate, still handicaps this country. But the Brazilian president's cultural and political attributes place him in the front ranks of

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the world's statesmen. The president will, therefore, be able to buttress the image of Brazil in his visits to the United States and England.

Mexico's entry into the NAFTA was a successful marketing [preceding word in English] strategy, although the facts quickly disproved the official stories. How important it is for countries to display themselves to the international community is being seen at Davos, Switzerland. Argentina Minister of Economy Domingo Cavallo, and even President Carlos Menem, engaged in a six-hour marathon of interviews with reporters from all over the world who are attending the International Economic Forum to explain that their country's situation was not comparable to that of Mexico.

In the case of Brazil, the need for a change in image is not tied only to a restoration of economic credibility. The wave of violence in our large cities, spurred by the growth in the narcotics traffic—now starting to be combatted effectively by Brazilians themselves, as seen in the Armed Forces intervention in Rio—has associated Brazil with its cocaine-exporting neighbors.

The battle against the narcotics traffic has also become vital to Brazil, which saw its big cities transformed into centers of drug consumption and decided to face up to the problem—even creating, with American technology, a radar system to monitor air traffic in the Amazon region.

American diplomacy needs to recognize that Brazil's problems are specific onesThe $8 billion in bilateral trade in 1994 was just a small part of the cooperation that could be exploited between the two countries. The possibilities for developing major continental integration projects are immense, and they either start with, or necessarily involve, Brazil.

The responsibility for building the image of an enterprising country able to resolve its own problems cannot be delegated. Brazil went through the impeachment of a president and needs to follow it up with institutional reforms and the modernization of the State. The President of Brazil will have an opportunity to show that the six months he spent as head of Itamaraty before taking over at Finance were useful in enabling him to formulate a new Brazilian posture in the world geopolitical context that was built after the Berlin Wall fell in 1989.

Foreign Ministry Requests Urgent Approval of Bills

PY2802112395 Sao Paulo GAZETA MERCANTIL in Portuguese 24 Feb 95 p 9

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Brasilia—Of the 55 agreements, treaties, and draft bills pertaining to Brazilian foreign policy that are being processed in Congress, the Foreign Ministry has requested urgent approval for three of them.

They are Draft Bill No. 113/93 regulating industrial property rights (trade marks, patents, and industrial secrets); the additional protocol to the Asuncion Treaty on the Mercosur [Common Market of the South] Institutional Structure approved in Ouro Preto in December 1994; and two protocols to reform the OAS—one dated Washington, December 1992, and another dated Managua, June 1993.

As long as the additional protocol to the Asuncion Treaty is not ratified by the four Mercosur member countries, the Mercosur will not have legal status, making negotiations with NAFTA or the EU difficult.

Moreover, the newest Mercosur organization created in Ouro Preto, the Economic and Social Consultation Group, which will allow the participation of workers and businessmen, cannot exist in practice without the ratification of the amendments to the Asuncion Treaty.

The OAS reforms are important for the Brazilian Government because they foresee the inclusion, among its principles and objectives, of the eradication of critical poverty, which is in keeping with the Cardoso administration's policy of combating misery through the Solidarity Community Program. The Washington protocol foresees the suspension of an OAS member country whose democratically elected government is overthrown by force. The reason behind Itamaraty's request for urgent treatment is the fact that with the end of the Cold War, multilateral organizations have gained new force, and it is very important that they be approved, according to the diplomats.

Malan: Loan to Mexico Under Negotiation

PY2702230095 Sao Paulo GAZETA MERCANTIL in Portuguese 23 Feb 95 p 28

[Article by Claudia Safatle]

[FBIS Translated Text] Brasilia—The Brazilian loan operation for Mexico remains under negotiation. There are no guarantees that this loan will become effective. The issue, as Finance Minister Pedro Malan has said, was urgent when the aid package for Mexico depended on U.S. congressional approval. There is no longer a need for hurry, but Malan believes that the help for Mexico depended on a decision by the U.S. Congress, which was reticent to approve it. Malan sees help for Mexico as important in terms of confining the exchange crisis to Mexico, which he believes could be "a matter of national interest" for Brazil.

Yesterday Minister Malan received Senator Eduardo Suplicy, of the Workers Party, who wanted explanations about a message from the Zedillo administration to the Mexican Congress explaining the $300 million Brazilian loan for Mexico. Suplicy complained to Malan about the fact that the Brazilian Senate does not have information on this loan. According to Malan, the letter from Mexican Finance Minister Guillermo Ortiz to the Mexican Congress does not refer to the Brazilian loan specifically

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but to the nearly $1 billion operation that would be financed by four Latin American countries (Argentina, Brazil, Chile, and Colombia). Malan explained to the senator that the negotiations are still continuing, and that no agreement has been reached yet. When an agreement is reached, however, Malan will go to the Senate to explain the operation.

Malan also denied that Brazil is participating in the financing package of the World Bank and Inter-American Development Bank, IDB, for Argentina. The two organizations are negotiating a $1 billion loan for Argentina to allow it make an adjustment with the provincial banks and, according to the information at Malan's disposal, the IDB and the World Bank are allegedly conditioning this loan upon negotiations between the Argentine Government and the IMF with regard to an "enhanced surveillance" [preceding two words in English] type of agreement.

Asks IMF for 'Mechanism' Against Speculation

PY2802112895 Sao Paulo AGENCIA ESTADO in Portuguese 2220 GMT 27 Feb 95

[FBIS Translated Text] Brasilia, 27 Feb (AE)—At the Brazilian Government's request, the IMF acting committee may analyze a proposal to create a mechanism to automatically aid those countries being targeted by speculative capital. This aid would be implemented through agreements among Latin American central banks. The IMF acting committee is scheduled to meet in late April or early May.

The proposal was made by Finance Minister Pedro Malan, who, during a recent meeting with IMF Managing Director Michel Camdessus, conveyed his concern about the devastating effect of the international flow of speculative capital. Malan deems it necessary to create "defense mechanisms" that would be instrumental in avoiding the destabilization of economies in the region.

The Brazilian Government has become concerned about speculative capital since the eruption of the Mexican crisis. It has become clear to Brazilian officials and experts that the current international financial system is vulnerable to speculative capital. An economic adviser said: "It is a new situation because speculative money moves rapidly and may destabilize strong economies through simple computer operations." In this regard, Mexico is considered to be "a warning for all."

Developed countries are already helping each other against speculative moves. Recently, when pressure mounted against the pound sterling, the European central banks launched a mutual rescue operation to avoid a drop on the part of the British currency, which could have had serious consequences. In the case of the Mexican crisis, the U.S. Government coordinated a special aid effort, but the European developed countries expressed their disagreement with it.

At present it is a fact that the crisis that victimized Mexico is threatening other emerging countries, such as Argentina. Latin American countries fear that if other countries of the region face financial collapse, the developed countries will not bail them out the way they helped Mexico. Thus, the Brazilian proposal is for the creation of mechanisms to provide for aid among the central banks of the region to prevent possible speculative movements that could destabilize the economies of Latin American countries.

Article Details Decisions Made During Iguacu Summit

PY2302204095 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Feb 95 p 6

[Article by Maria Helena Tachinardi from Foz do Iguacu, Parana State]

[FBIS Translated Excerpt] Commenting on Brazilian-Argentine relations, President Fernando Henrique Cardoso said: "The problems are no longer economic, they are administrative." The two largest Mercosur [Common Market of the South] partners' bilateral trade will this year total about $10 billion, and will be five times greater than the 1991 figure.

In Cardoso's opinion, the 200 trucks lined up and waiting at the Foz do Iguacu-Puerto Iguazu border are an example of administrative problems. These two towns are connected by the Tancredo Neves bridge. On 17 and 18 February, they were the stage for "the most positive meeting between the two countries, which was conducted without fear or restrictions," as President Carlos Menem said. [passage omitted]

Here are the decisions made during the meeting in Iguacu:

Telecommunications—A technical committee will be established to harmonize the fiber optics network standards; another committee will control radio frequencies in the border areas.

Transportation—In 15 days, the government will put out a bid for the construction of the Sao Borja-Santo Tome bridge, which will benefit Rio Grande do Sul State.

Agriculture—The two countries agreed on standardizing measures related to plant health. In March, Argentina will send a technical mission to the Parana State hog-raising farms and frozen meat plants that are forbidden to export pork meat in view of a foot and mouth fever outbreak detected in 1993. Brazil will again buy apples from Argentina, although their import had been suspended. Citrus fruits will also begin being imported again, as long as they come in containers. The Argentine mission will also visit chicken-raising farms in Brazil, and try to make possible the export of one-day-old chicks, which have been affected by microplasmosis.

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Education—In the beginning of May or June there will be a technical seminar in Rio de Janeiro on basic teaching. A committee to mutually certify diplomas will also be established.

Science and Technology—Cooperation in the area of food technology, cardiovascular technology, and integration of computers networks.

Rules of Origin—Mechanisms to accompany and control the basic productive process of all products included on the exception list of the Mercosur Common External Tariff (CET) will be urgently defined.

Terrorism/Drug Trafficking—The two countries' Justice Ministries will try to categorize these crimes and adopt punishments of a similar kind. According to officials from the two countries, it is useless to have open borders if a fault is considered a crime in one country and not a crime in the other.

Strategies—Brazil and Argentina will discuss cooperation in the area of UN peace operations. Strategic Affairs Secretary Ronaldo Sardenberg will soon meet Argentine Defense Minister Oscar Camilion again to examine the situation of the continent from the strategic point of view after the Mexican crisis and the conflict between Peru and Ecuador.

Committees Created To Implement Ouro Preto Accords

PY2302152795 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Feb 95 p 6

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Foz do Iguazu—During a meeting in Asuncion last week, the Trade Committee—one of the most important organizations of the Mercosur [Common Market of the South]—approved the creation of 10 technical committees to implement all the commitments assumed by Argentina, Brazil, Paraguay, and Uruguay in Ouro Preto, Minas Gerais, last December.

A committee for the Common External Tariff (CET) has been created. It will modify the CET according to the wishes of the four member countries. Other committees will look after customs issues and trade disciplines like rules of origin, free zones, export incentives, and policies that distort competitiveness. The other technical committees will prepare the codes for consumer defense, competition, unfair trade practices, safeguards, nontariff restrictions, and regulations for the textile industry.

The Trade Committee is also studying a Brazilian proposal to reduce the 60-day warning so that members can adjust to measures like that adopted by Brazil last week when it raised from 20 to 32 percent the car import taxes. With this measure, Brazil placed cars on the CET list. The first meeting of one of the technical committees, on unfair trade practices, will be held in Montevideo from 6 to 10 March.

Brazilian regulations of the Uruguay Round of the GATT on trade defense pertaining to "dumping," safeguards, and compensatory rights will be presented during the next meeting of the Foreign Trade Chamber. Ambassador Jose Artur Denot Medeiros, the Foreign Ministry official responsible for integration and economic matters, said: "We will present our regulations and begin to harmonize them within the Mercosur. We are in a hurry because the private sector always complains. Trade openings must be followed by measures to combat unfair trade practices." During the first meeting of the Foreign Trade Chamber a few days ago, it was decided that the Foreign Trade Secretariat, subject to the Industry, Commerce, and Tourism Ministry, will be reinforced in the field of trade defense.

Economic Team Seeks To Change Exchange Policy

95SM0192A Rio de Janeiro JORNAL DO BRASIL in Portuguese 3 Feb 95 p 10

[Article by Cristiano Romero and Silvia Mugnatto, with additional material by Sergio Fadul]

[FBIS Translated Text] Brasilia—From now on, the government is not going to allow the dollar to lose even more value against the *real*. The speed with which the Brazilian economy has shifted, in the past three months, to importing more than it exports and recording high deficits in the trade balance, coupled with January's flight of $1.9 billion in investments, has alarmed the economic team. It is now beginning to work towards a slow, gradual change in the exchange policy that was adopted with the introduction of the *real*.

According to technical staffers at the Central Bank (BC) and Ministry of Finance, the administration will make changes in the exchange rate in the coming months, thus reducing the difference between the dollar and the *real*. It is possible that by April, R1.00 will be worth $0.89 or $0.90. The futures market, one BC expert said, is already working on that assumption.

If the *real* reaches that level in April, it will have been devalued by about 6 percent over a three-month period. The Central Bank will handle the change very carefully because, as an advisor to the team said, since the Brazilian economy is now more open, any abrupt upward change in the exchange rate would have an immediate impact on domestic prices. The government will also have to avoid giving the market the impression that the BC is re-indexing the exchange rate with respect to inflation.

Since July, experts have been expecting that a trade deficit would develop. They predicted then that, because the Central Bank stopped buying dollars from the exporters after 1 July, the *real* would rise naturally

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against the dollar, making exports more expensive and, consequently, making imports cheaper.

In practice, exports did not fall in 1994; they rose by 12.9 percent. The problem is that inflation, measured by the IPC-r [Consumer Price Index-*real*] (the official price index) attained an undesirable 22.07 percent during the first semester under the *real*. This, coupled with the 15 percent devaluation of the dollar, made imports super-attractive—foreign purchasing climbed by almost 30 percent in 1994.

In September, imports received an additional stimulus when the government decided to move up the date for adoption of the Mercosur [Common Market of the South] Common External Tariff. The decision was thought necessary to avert potential year-end shortages of goods and price increases. A month later, further incentive was given for imports when people began paying extremely low import duties on goods ordered by mail. All those results helped bring about trade deficits of $261 million in November and $884 million the next month.

Mexican Crisis Exacerbated Situation

To give readers an idea of the abrupt change in Brazilian foreign trade figures, we will point out that until October, the government was going on the assumption that it might end 1994 with a surplus in the trade balance of close to $13 billion. It ended up with a $10.4 billion surplus, 25 percent less than initially forecast.

The situation was exacerbated by the Mexican peso crisis, which not only provoked an outflow of funds from Brazil, but encouraged importers to move up their purchases out of fear that the government would start discouraging imports in order to even out its trade balance.

In fact, the administration is now planning to do that but, for the time being, it is raising import duties only on automobiles. Along with home appliances and consumer electronics, cars have had a strong influence on the pattern of Brazilian trade in recent months.

A member of the team reported that exports are likely to be increased in coming months because of the more flexible approach already adopted by the government with respect to Advances on (Forward) Exchange Contracts (ACCs); the tax exemptions from the PIS [Social Integration Program] and Cofins [Social Investment Contribution] now being readied by the Federal Revenue Secretariat; and the reduction of the differences among quotations of the dollar vis-a-vis the *real*.

Central Bank's Dilemma

To bring about a change in the current prices of the dollar, the BC is faced with a dilemma. If it raises prices overnight it will disturb the market, especially the international market, which might link the 4.65 percent devaluation of the *real* to the fall of the Mexican peso, the event that unleashed an enormous crisis and marked the defeat of Mexico's economic plan. On the other hand, if the prices of the dollar are raised gradually from month to month, it might convey the idea of an indexation of the exchange rate, which would also be an extremely negative development.

Market professionals think the best time for the government to arrange an increase in the prices of the dollar would be between March and April. Those are the months when the agricultural harvest will start coming onto the market, reducing pressure on the inflation rate and cancelling out the impact on prices of a devaluation of the *real*.

Guarantee

Another change the market expects to see is a guarantee that the new prices of the dollar will be maintained for a long while. "Such assurance would be an extremely positive development. Now people say the band is R0.86, but no one uses that number when working with a horizon further away than one month," said a director of one of Brazil's most active banks in foreign exchange.

Brazil: Market Projections of Dollar Exchange Rate

Month	Price of $1.00
February	R$0.856
March	R$0.872
April	R$0.889
May	R$0.910
June	R$0.927

Source: BM&F

The two consecutive deficits in Brazil's external accounts in recent months demonstrate the need for reassessment of the rate bands (R$0.84 and R$0.86) that the administration has been using for the commercial dollar. Brazil's annual commitments—interest payments and debt service—range between $15 and $17 billion. As the financial market sees it, if Brazil is to raise these funds, it needs a trade surplus of $5 billion this year, a sum experts do not believe can be achieved if the current dollar prices are maintained.

Impact

Of the $15 billion—at least—that this country will incur in external expenses in 1995, $5 billion could come from the $38 billion in exchange reserves without generating any major negative impact. Another $5 billion, according to financial market executives, could come from foreign investors interested in the privatizations program.

Even if the administration manages to end the year with the trade balance in equilibrium, it will still need $5 billion, money that under present international conditions would be hard to obtain from foreign capital interested in investing on Brazilian stock markets.

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Taking an additional $5 billion from the exchange reserves, a director of a major bank observed, would provoke instability in the exchange rate.

Staying Power

Given the current dollar rate bands, a market executive said, exporters will not have enough staying power to generate a $5 billion surplus by the end of 1995, even with all the financing facilities the administration gave them last month. "Some even think that at current prices, foreign trade will end the year with a deficit," the director of one bank said. It is being rumored that the Central Bank is already thinking about raising the price of the dollar to R$0.90 by April, which would do a lot to encourage exports.

Yesterday the commercial dollar closed at R$0.838 (purchase) and R$0.839 (sale), a decline of 0.24 percent from the previous day.

PSDB Leader Predicts Resistance to Reforms

95SM0192C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Feb 95 p A-9

[Interview with Jose Anibal, the new leader of the PSDB in the Chamber of Deputies, by Silvio Bressan, date and place not given.]

[FBIS Translated Text] *Along with the presidential message scheduled for 16 February, the administration will send Congress its proposals for tax and social security reform. In the opinion of the new leader of the PSDB [Brazilian Social Democracy Party] in the Chamber, Jose Anibal (Sao Paulo), the toughest task will be to win passage of measures permitting more flexibility in the monopolies. "The nucleus of resistance will be larger," predicted the tucano* legislator, one of those responsible for liaison between the administration and the Congress. Despite everything, Anibal appears optimistic. In this interview, the PSDB leader said the new Congress needs to be in tune with the administration and will probably approve the reforms soon, i.e., in the first six months of this year. At any rate, he issued a warning for the legislators. "The Congress must shoulder its responsibility right away. There can be no more procrastination."

[Bressan] Which of the reforms will be hardest for the administration to get through Congress?

[Anibal] The reform of the social security system, tax reform, reform of the state, economic reform, and relaxation of the monopolies are all topics that are only now beginning to be discussed in concrete terms. There been no time yet to measure the precise degree of resistance. Tax reform, for example, is apparently accepted by everyone, if the principles of equity and simplification are observed. I know there is tremendous pressure from different sectors of society concerning this issue. It was no coincidence that 7,000 of the 16,000 amendments suggested for the [constitutional] revision were about taxes. It is a controversial question that affects peoples' pocketbooks.

[Bressan] Will social security reform also encounter that kind of resistance?

[Anibal] There you have 15 million retired persons. Although the administration's position is that vested rights should be preserved—including [rights of] those not yet retired—this is also an issue that will meet resistance. This is because there is so much uncertainty, and little information is available so far.

[Bressan] What are the government's concerns with respect to the state monopolies?

[Anibal] Making the monopolies more flexible gets into cultural and ideological issues. There is a specific concern about creating a body of regulations for the various sectors (telecommunications, petroleum, mining) so that relaxation does not set off a ruthless or uncontrollable process of privatization in those fields.

[Bressan] So wouldn't that be the most complicated reform?

[Anibal] From what I know of the Congress and its nationalist and populist stance—although such political thinking has already undergone major revision—the largest nucleus of resistance will focus on the relaxation of the monopolies.

[Bressan] Would you say that the administration now has the majority it needs to pass the reforms?

[Anibal] Yes, it has the majority. But it needs to consolidate it. We ourselves have held seminars with the PMDB [Brazilian Democratic Movement Party], PSDB, and PFL [Liberal Front Party]. Through such movements you can popularize, and favorably banalize, the content of the reforms, allowing the legislators a chance to prepare themselves to participate in those debates. That will enable them to get involved in the proposals the administration will be sending to Congress, not procrastinating, but making decisions as soon as possible.

[Bressan] Does that include the PT [Workers Party]?

[Anibal] I think so. The PT legislators are active. It is impossible that all through this reform process they can build a line of defense on the basis of sheer opposition. They may not be a stable part of that majority, but surely they will be part of the process in a very productive way by contributing, giving their opinions, and even voting.

[Bressan] Which of the reforms will the administration try to pass first?

[Anibal] The tax and social security reforms will probably be the first.

[Bressan] When will they be submitted?

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[Anibal] At almost the same time as the president's message to Congress on 16 February.

[Bressan] And what is the time frame for getting those reforms approved?

[Anibal] I think they will be approved in the first six months, by July or August, because they are vital if we are to recreate conditions for productive investment. The Congress must shoulder its responsiblity right away. There can be no more procrastination.

[Bressan] What will be the terms of that discussion?

[Anibal] We are going to make this debate rational and transparent and stop this discourse that is just campaign rhetoric. The public is not expecting pomposity from the Congress, but work.

[Bressan] What can the public expect from the new Congress that was sworn in on Wednesday?

[Anibal] What the public wants is a Congress that carries out the reforms. The public wants the State to keep its accounts in order, it wants a strong currency, it wants restoration of an environment favorable to productive investment that creates jobs and distributes income. And I am very confident that the Congress will be in tune with what society wants. After all, the president was elected on that platform and the parties in his coalition obtained a legislative majority.

[Bressan] Do you think the tarnished image of politicians in general will contaminate the new legislators, too, or does a new Congress have a knack for wiping the slate clean?

[Anibal] No, the new Congress has no special ability to wipe the slate clean, only insofar as it is able to build a new partnership with the Executive Branch. I am not talking about submission, but a partnership in the sense of authority, ability to discuss the Executive's proposals, to work on the proposed reforms, and to make decisions. One thing the Congress cannot do is fail to act. It may vote for or against, but it must no longer procrastinate.

[Bressan] Won't there be conflict between you and the administration's leader in the Chamber?

[Anibal] I and all the leaders of the delegations that support the administration will dovetail our actions with those of the administration's leader. We will build partnerships in order to open channels, and will discuss parliamentary procedures with everyone. The State is trying to remodel itself because that is an essential condition for resuming self-sustainable growth. Either we realize that there exists a plan, or we are going to get bogged down in minor issues. To consolidate the political majority will require a lot of fine tuning, performed in a permanent and objective process.

Chile

Insulza: Peru, Ecuador Must Protect Observers

PY2702204995 Madrid EFE in Spanish 1745 GMT 27 Feb 95

[FBIS Translated Text] Santiago, 27 Feb (EFE)—Chilean Foreign Minister Jose Miguel Insulza today reiterated that the Ecuadoran and Peruvian governments are responsible for safeguarding the observers who will go to the conflict zone between the two countries.

During a chat with local journalists at the Chilean Foreign Ministry, Insulza said: "I hope they will do so, and we have confidence the two countries will have the capacity to safeguard the observers who will go to the zone."

According to information received earlier, the observers will be military attaches of the guarantor countries accredited to Quito and Lima, that is, the military attaches of Argentina, Brazil, Chile, and the United States, who will first travel to Patuca, in Ecuador, and then to Bagua, in Peru.

The Chilean military attaches accredited to Quito and Lima are Army Colonels Mario Gonzalez and Patricio Williams, respectively.

Minister Insulza disclosed that the observers should have started traveling to the zone yesterday and arrived today.

It is thus expected that by Tuesday, 28 February, the military observers will have information to submit to the foreign ministers of the guarantor countries, who will meet in Montevideo, Uruguay, before the Uruguayan presidential inauguration on 1 March.

Jose Miguel Insulza said that the idea behind this meeting of foreign ministers is to "perhaps acknowledge a more or less stable cease-fire and, from that point, start discussing with the foreign ministers the subsequent steps to solve this problem."

The proposal to hold this meeting of foreign ministers in Montevideo was made by Chile last week in Brasilia, where the ambassadors of the guarantor countries met in view of the resumption of hostilities on the border between Ecuador and Peru.

Early Resumption of Ties With Cuba Denied

PY2802113695 Santiago LA TERCERA DE LA HORA in Spanish 7 Feb 95 p 10

[FBIS Translated Text] Minister Secretary of Government Jose Joaquin Brunner on 6 February denied that the Chilean Government has decided to establish diplomatic relations with Cuba soon. Brunner labeled as "mere speculation" the remarks Independent Democratic Union (UDI) Deputy Ivan Moreira has made to this effect.

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Brunner added that there are no real grounds for such remarks at this time because relations with Havana have not been the subject of any debate or decision.

National Renewal Deputy Alberto Espina said that the resumption of diplomatic ties is still very much influenced by painful past events between the two countries.

He argued that for more than two decades Cuba has encouraged and promoted armed actions in Chile by smuggling in arms and training guerrillas abroad, seeking a violent confrontation in Chile. "It is, therefore, unrealistic to expect that relations between Chile and Cuba could be viewed without taking this past into account," he said.

Frei Meets Visiting Polish President Walesa

PY2402230595 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1700 GMT 24 Feb 95

[FBIS Translated Excerpt] Polish President Lech Walesa, who is visiting Chile, said today he has not requested a meeting with General Augusto Pinochet. Lech Walesa met with President Eduardo Frei this morning.

[Begin recording] [Unidentified reporter] President Walesa began his activities very early this morning, at 0830, when, as if recalling his factory working days, he was already visiting the Maipu weapons factory with President Frei. [passage omitted]

Walesa then went to La Moneda Palace, where he held a working meeting with President Frei. After the meeting the two presidents gave a news conference. Walesa denied that he had asked for a meeting with Gen. Augusto Pinochet, saying that dealings with the figure of the Army commander are a Chilean internal matter. [passage omitted]

The two presidents expressed interest in increasing trade based on equity and respect for people. Walesa also visited the Supreme Court building, where he met with Supreme Court President Marcos Aburto. [end recording]

Colombia

Minister Comments on FARC-ELN Attack at Border

PA2702160995 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 27 Feb 95

[Telephone Interview with Defense Minister Fernando Botero by Caracol News Director Dario Arizmendi and unidentified reporter; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] Good morning, Defense Minister Fernando Botero.

[Botero] Good morning, Dario.

[Arizmendi] Do we know what subversive group or groups have carried out the attack in the Cararabo zone, 600 km from Caracas, on the border with Colombia? Sir? The minister is traveling in his car. We will try to reestablish contact with him in a few seconds.

We have, fortunately, reestablished communication with the minister. We asked you, Mr Minister, if the subversive group or groups that have participated in the massacre of eight Venezuelan Marines in Cararabo have been identified.

[Botero] Certainly, Dario. I am sorry for the cut. I believe there are strong indications now that this was a joint operation in which the Revolutionary Armed Forces of Colombia [FARC] was involved, along with important participation by the Army of National Liberation [ELN]. I am basing this statement on a call intercepted late yesterday evening. In that call, the commander of the operation informed the Domingo Lain Front of the ELN of the good results of the operation. The commander reported on the casualties inflicted on the Venezuelan troops and the valuable arsenal they were able to steal.

We have this evidence, which, in my opinion, is overwhelming, indicating the ELN is responsible for the tragic events in Venezuela yesterday. We also know that some FARC people participated in that act. All the evidence indicates this attack, which generated the tragic consequences the country knows about, was a joint operation between the FARC and the ELN.

[Arizmendi] The country knows that 30 soldiers from the Army's 4th Division have been taken to the area in armed helicopters. Has there been any contact with the rebels in recent hours?

[Botero] There has been no contact, Dario. After an operation of this nature, the guerrillas' tactic is to break up into small groups, disperse, and change their uniforms for civilian wear. This tactic makes the possibility of establishing contact or a clash quite difficult and is one of the characteristics of guerrilla warfare.

In the area, there is an important Army presence that includes not only the 4th Division units you mentioned but also six units from an antiguerrilla company taken to the area. We are going to strengthen our military presence at the advanced river post in Puerto Carreno. We are adopting all kinds of measures to noticeably strengthen our military presence in the zone in order to cooperate with the Venezuelan authorities, to establish armed contact with the group, and to capture it if possible.

[Arizmendi] Mr. Defense Minister, what information does the Colombian Government have about how the attack took place?

[Botero] The attack apparently took place on 25 February at 2355 and lasted several hours. The fighting apparently went on from 2355-0407; thus, we are talking

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about four hours of intense fighting. The attack was carried out by approximately 120 ELN and FARC men who arrived by river on four boats. The attack took place 10 km east of Nueva Antioquia, Vichada, but on the Venezuelan side of the border, of course. As reported, two Venezuelan noncommissioned officers and six Marines died. Fortunately, 21 Marines were able to escape. They apparently jumped into the river and entered the jungle to escape the guerrilla attack. There is much concern due to the casualties and because the guerrillas were able to steal a large amount of weapons, rifles, machine guns, grenades, etc. All this materiel and the guerrillas have apparently entered Colombian territory and, according to the information we have, they are breaking up so as to make the Colombian authorities' operations difficult.

[Arizmendi] Mr. Minister, this Colombian guerrilla attack against Venezuelan public forces took place one day after the meeting in Santa Fe de Bogota between representatives of the military forces of the two countries. Could this be interpreted as a guerrilla challenging of the joint action the Venezuelan and Colombian militaries are planning to implement along the border?

[Botero] Fortunately, the meeting you mention has taken place in Cucuta Municipality within the framework of a military cooperation agreement, which I had the honor of signing with the Venezuelan defense minister. Based on that agreement, there are periodic meetings every two months between the military authorities of the two countries in order to seek closer ties of cooperation in defeating the problem of military violence along the border. The latest meeting took place in the city of Cucuta.

Colombian Army Commander General Bedoya and his Venezuelan counterpart attended that meeting representing their respective countries. They drafted valuable plans for cooperating along the border. Unfortunately, this terrible tragedy has occurred. I believe contact between the two armies is important in maintaining cooperation plans and calmly facing this type of problem, always with a view to strengthening cooperation between the military forces of Venezuela and Colombia.

[Reporter] Regarding the last issue you just mentioned, the Venezuelan consul to Puerto Carreno has said the fact this incident could jeopardize relations between Colombia and Venezuela as well as the people's spirit, to say it in a more tangible fashion, is among his concerns in addition to the massacre itself. What could the Colombian defense minister tell the Venezuelan people in this regard?

[Botero] I believe this is a tragic incident, but the two governments are remaining calm as they seek the necessary mechanisms to prevent this type of incident from reoccurring in the future. I am telling the Venezuelan people that we deeply regret this major tragedy, that we regret the deaths of those Venezuelan soldiers as if they were our soldiers, and that it is a serious and tragic incident. Colombian authorities, particularly Colombian military forces, will not stop making efforts, however, to capture or arrest those who perpetrated this tragic attack. We will be seeking all the necessary mechanisms of cooperation to increase the number of military possibilities to capture them and bolster our efficiency at the border between Colombia and Venezuela.

[Arizmendi] Mr. Minister, what other objectives, in addition to seizing weapons, does the Defense Ministry believe the guerrillas are seeking by perpetrating these types of attacks?

[Botero] Certainly to instill tension and destabilization in the relations between Colombia and Venezuela, a goal which they, fortunately, have resoundingly failed to achieve. Unquestionably, it is an operation whose main objective, in my opinion, is to promote a tense situation at the border and to seize weapons; this is what the criminals wanted.

[Arizmendi] Finally, Mr. Minister, as I thank you for your statements to the audience of "Caracol's 0600 to 0900" newscast, what is the Colombian guerrillas' military presence at the Colombian-Venezuelan border?

[Botero] Approximately 17 FARC and ELN fronts, in one way or another, operate at the border between Colombia and Venezuela. These guerrillas maintain a significant presence there. Their presence has prompted the Colombian military forces to also have a significant presence there. The thing is, Dario, this border is quite large, barely populated, and located amid a thick jungle. There, there are communication difficulties, no roads, and no rivers. It is a difficult task, but the border is, undoubtedly, a significant priority for the national government, which maintains an adequate military presence there. Incidents such as this one mean we, Colombia and Venezuela, must do much more to eradicate the challenge the guerrillas pose at the border area.

Commissioner Stresses Commitment to Talks With FARC

PA2702222395 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 23 Feb 95

[Telephone interview with Peace Commissioner Dr. Carlos Holmes Trujillo by Dario Arizmendi; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] Dr. Holmes, what is the national government's position on the concerns raised yesterday at the meeting you held with Congress' Peace Commission in getting representatives from the church, the media, political parties, unions, nongovernment organizations, and so on to serve as guarantors and overseers in this first meeting, which could be held in our country within the next three weeks with the purpose of laying the groundwork for an eventual dialogue between the government and the guerrillas?

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[Holmes] Dario, many topics were discussed in the meeting with the Senate's Peace Commission. The basic conclusions of the meeting were that this group of senators believes it is important to make progress in the peace process. The commission believes there are no insurmountable obstacles. The Senate's Peace Commission, along with the Chamber of Deputies' Peace Commission, discussed the organization of a series of regional forums, which I said I would attend personally depending on my schedule.

The proposal to which you are referring was discussed. I had the opportunity to tell them that, as the country already knows, we are currently in the phase of discussing eventual negotiations. We are interested in surrounding the first meeting with security measures. It is not just that FARC [Revolutionary Armed Forces of Colombia] is interested in its own security, but the government also wants the first meeting to be surrounded by all the necessary guarantees. We have to review the mechanisms to provide these guarantees at the proper time. I also had the opportunity to note that if these additional security mechanisms are the result of an agreement, they would strengthen even more the new stages of the peace process.

[Arizmendi] Dr. Holmes, FARC says that one of the conditions for their security, for the security of their secretariat, which is the highest level of authority within this guerrilla group, would be the demilitarization of La Uribe so that they could travel there. Is this acceptable to the government?

[Holmes] FARC issued three communiques publicly. They made mistakes, but it is important to preserve levels of confidentiality as has been done in practice, without implying the country should not be informed about the talks. Each time that I was asked about the process with FARC, I limited myself to saying, bearing in mind the confidentiality that was being respected, that we were gathering the necessary elements for holding the first meeting.

The government told FARC in a letter that it is willing to delimit an appropriate area out of common agreement for its demilitarization around certain sites within the jurisdiction of La Uribe Municipality. It appears that FARC did not understand the importance of the things mentioned in the letter. I understand it could have to do with the obvious limitations experienced when one exchanges letters. I repeat: It appears they did not understand this, because in the letter they made public, the one dated 16 February, they ask how it is possible for members of the Secretariat to be sitting down in such a limited space. The government has not proposed a limited space, but a properly delimited area out of common agreement around certain sites that can be looked upon as reference points so as to guarantee security for everyone. If FARC is interested in its own security, the government is also interested in it, because logically it currently has before the country and before its future the responsibility of guaranteeing that this first meeting will have all the necessary security so the process can be firmly initiated.

[Arizmendi] Dr. Carlos Holmes Trujillo, since you said there are no insurmountable obstacles, how will the site of the preparatory meeting be decided?

[Holmes] There are no insurmountable obstacles, Dario. What I see at this time is that there are natural difficulties because of the failure to establish a mechanism that can allow us to directly exchange opinions with regard to the issues that are currently being discussed. I must also point out that unfortunately FARC has rejected—for understandable reasons but which nonetheless creates difficulties—two proposals for overcoming these difficulties.

First, the letter in which they make a first proposal is in response to a letter I sent them in which I suggested the importance of holding a preliminary dialogue with officials and representatives of that organization in order to make progress in all necessary issues in preparation for the first meeting. This first proposal was inspired by the need to avoid the misunderstandings that are cropping up now because of the natural rigidity one faces when exchanging letters.

Second, in response to the letter in which they make certain requests for the first meeting, we suggested resorting to radio stations. They have not considered that advisable, which I understand. What we need to do now is to find a more fluid way in which to discuss the reasons behind each of the proposals. I am sure a satisfactory agreement will be reached in order to offer guarantees for FARC and for the meeting itself, which would be giving guarantees to the country, the government's greatest concern.

[Arizmendi] Thank you, Dr. Carlos Holmes Trujillo.

Minister Agrees With U.S. Envoy on Armed Forces Media Role

PA2502201795 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 24 Feb 95

[Report by Victor Lopez; from "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Defense Minister Fernando Botero Zea has echoed the recommendations by U.S. Ambassador Myles Frechette to the Colombian Armed Forces to assume a new role in their relations with the media. The minister has agreed with the view that the code of silence cannot prevail in the Public Force, saying the mistaken model that has prevailed to date must change:

[Begin Botero recording] [Words indistinct] in my viewpoint is completely mistaken and that the military and police forces must rapidly and resolutely advance toward

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a model of cooperation, which, I believe, is the adequate way to deal with the media. [end recording]

The defense minister has also agreed with the opinion that the Armed Forces cannot allow the guerrillas and drug traffickers to utilize the media for propaganda purposes.

Ecuador

Leoro: Withdrawing From Coangos 'Absolutely Not Negotiable'

PA2702205795 Madrid EFE in Spanish 1916 GMT 27 Feb 95

[FBIS Translated Text] Ecuadoran Foreign Relations Minister Galo Leoro has said that the possibility of the Ecuadoran forces withdrawing from the Amazonian post of Coangos, as statements attributed to Peruvian President Alberto Fujimori maintained, "is absolutely not negotiable."

"That possibility is out of the question," he said after assuring that he believes that "our country cannot accept those statements uttered by the (Peruvian) president—if he indeed made them."

The ownership of the Coangos detachment "was never in doubt," he pointed out; "what the (Itamaraty) Peace Declaration stipulated is for the Ecuadoran troops to gather in Coangos, an Ecuadoran position that was never in question."

According to media reports distributed in Quito today, the Peruvian president had reportedly requested the withdrawal of the Ecuadoran troops not only from the Tiwinza, Base Sur, and Cueva de los Tayos posts, as stipulated by the Itamaraty agreement, but also from Coangos.

Ecuadoran President Sixto Duran-Ballen today traveled to Uruguay, along with Foreign Minister Leoro and Tourism Minister Armando Espinel. The Ecuadoran delegation will attend the Uruguayan change of command from Luis Alberto Lacalle to Julio Maria Sanguinetti.

Duran-Ballen will take advantage of the fact that eight chiefs of state will be in Uruguay to inform them of the situation at the border his country and Peru share in order to have them help reach a solution to the conflict.

Meanwhile, Minister Leoro, along with his Peruvian counterpart, Efrain Goldenberg, will attend a meeting with the guarantor countries (Argentina, Brazil, Chile, and the United States), which the Chilean Government proposed.

Further on Leoro Remarks

PA2802021995 Quito Voz de los Andes in Spanish 2300 GMT 27 Feb 95

[From "The Voz Andes Newscast]

[FBIS Translated Text] Ecuadoran Foreign Minister Galo Leoro Franco has categorically asserted that the Coangos post is not negotiable and that Peruvian President Fujimori's statements to the effect that the Ecuadoran forces must withdraw from Coangos to another post is not the best way to resolve the situation. The foreign minister said President Duran-Ballen's trip to Montevideo, alongs with Ecuadoran diplomats and the foreign minister, will be a good opportunity to talk with the guarantors and the southern neighbor.

[Begin recording] [Leoro Franco] We have two things. First, it is a formal visit to attend the inauguration of the president of the Republic of Uruguay. Second, as you know, presidents always attend such events, and it is very important to talk to them now. The exchange of information at the highest levels is always positive. As you know, Lima continues to disseminate disinformation, and we have to counter it. We have to use all available means to do so.

[Unidentified reporter] What do you think about President Fujimori's announcement on Monday that Ecuador would have to withdraw from Coangos?

[Leoro Franco] It is absolutely not negotiable. It is out of the question. It seems to me that our country cannot accept those statements by the president, if he indeed made them.

[Reporter] A solution cannot be found if [words indistinct].

[Leoro Franco] Look, this has never been under discussion. The peace agreement states that Ecuadoran troops will concentrate in Coangos. That is what it says. The Ecuadoran troops have to concentrate in Coangos, which is an Ecuadoran point that has never been under discussion. Never.

[Reporter] How does Ecuadoran diplomacy view the arrival of the observers today?

[Leoro Franco] How should we view it if we have been supporting it? We believe it will promote and initiate actions that we hope will be peaceful and that will end in the most acceptable manner. We are confident that this initiative will begin the process stipulated in the Itamaraty agreement. [end recording]

Foreign Minister Leoro Franco reiterated once again that the Ecuadoran posts of Tiwinza, Cueva de los Tayos, and Base Sur continue to be held by Ecuador and that the Itamaraty peace agreement establishes the demilitarization of the Coangos detachment. Thus, Alberto Fujimori's request is not negotiable or feasible.

Presidential Adviser: Peru Must Act in Good Faith

PA2702174195 Paris AFP in Spanish 1434 GMT 27 Feb 95

[FBIS Translated Text] Quito, 27 Feb (AFP)—Ecuadoran presidential adviser Diego Paredes said

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today Peru must act in good faith in order to permit peace with Ecuador. Paredes rejected Peruvian President Alberto Fujimori's call for Ecuador to withdraw the Coangos Detachment.

Paredes, who was Ecuador's foreign minister until recently, complained that Peru "is trying to destroy the pacification process" by mobilizing troops and making demands not envisaged in the Itamarati declaration of 17 February.

Paredes made this statement after Ecuadoran television made known declarations in which Fujimori has proposed that Ecuador withdraw from the Coangos base, which the Itamarati declaration views as a permanent position of the Ecuadoran forces.

According to what is established in the Itamarati agreement, there is a cease-fire, and the Peruvian forces must be stationed at their Soldado Pastor Detachment or Watch Post 1, while the Ecuadoran forces are to be quartered in Coangos, the reason why Fujimori's call for Ecuador to abandon Coangos has caused surprise.

Paredes said this alleged demand by Fujimori "makes no sense." He recalled that "the agreement signed in Itamarati is clear: Ecuador is to withdraw to Coangos and Peru to PV1."

Paredes urged the guarantor countries to fulfill their obligation and enforce respect for the cease-fire declaration. He lamented that Peru is trying "to destroy the peace process with new mobilizations of troops and statements not in line with the Itamaraty agreement."

He said: "It is possible to talk and produce an effective pacification process if there is good faith."

He recalled that Ecuador has adopted a courageous position when it acknowledged the validity of the Rio de Janeiro Protocol and by resorting to the guarantors so they could help in the search for a definite solution to the problem.

Paredes said the conflict has become international due to the effects it is having on the region. He expressed hope that the mediation of the papal delegate, Cardinal Carlo Alberto Funo, will be effective.

The presidential adviser said he hopes the meeting between the foreign ministers of Ecuador and Peru with their colleagues from the guarantor countries tomorrow in Montevideo, on occasion of the swearing in of Julio Maria sanguinetti, an event Ecuadoran President Sixto Duran-Ballen will attend, may permit the consolidation of pacification.

Meanwhile, Alfonso Barrera, another former Eduadoran foreign minister (1979-1982), said today Coangos has been an Ecuadoran military detachment "for a long time," so long that "in 1981 (when the two countries had another military confrontation) our concerns included the detachments of Coangos, Teniente Ortiz, and Soldado Monge."

Rejecting the proposal that Ecuador abandon its Coangos Detachment, Barrera said: "President Fujimori is appearing as a person who does not honor his word and is not serious."

He recalled that in 1981 "we said no to the threat of a total war even if we objected to Peru's position, and now, in 1995, we are saying no to the same threat, and we are saying it with facts. Fortunately, the Peruvian Government has clearly stated that this time it does not want to extend the war to other regions."

Barrera acknowledged, though, that "the rule is not to believe in that kind of promise or that kind of strategy announcement."

Defense Minister Reports Seizing 2 Peruvian Posts

PA2702193595 Paris AFP in Spanish 1645 GMT 27 Feb 95

[FBIS Translated Text] Quito, 27 Feb (AFP)—Ecuador has "seized" two military posts that Peru held at the Condor mountain range border, which has not been delimited and which has been the site of a more than one-month-long armed conflict, and "they (the Peruvians) have not seized any of our positions," Defense Minister Retired General Jose Gallardo said on Monday.

Speaking to reporters, Gallardo explained that during the clashes, which began on 9 January with mutual accusations of provocations and attacks, the Ecuadoran troops seized control of Base Norte, a small location that the Peruvian forces had occupied to build a heliport behind the Ecuadoran lines.

Gallardo added that "we seized Base Norte from the Peruvians." He said it is located north of Tiwinza (toward the headwaters of the Cenepa River). He said they also seized another site, which he did not identify, next to the area of Cueva de los Tayos.

After the intensification of clashes on 26 February, Ecuadoran military sources told AFP that the Peruvian detachment of Pachacutec—according to the Quito government located in Ecuadoran territory—was also "erased from the map and that orders were being awaited to fully take it over."

"Our forces have had to continously move through the jungle. We have seized two positions. They (the Peruvians) have not seized any positions from us," the minister stressed on Monday.

"We are occupying the sites that we believe are of military interest," he added.

He said the Ecuadoran Army maintains under its control all the national military positions in the conflict area, including Base Sur and Tiwinza, which according to Lima are in Peruvian hands, as well as Cueva de los

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Tayos, where Peruvian President Alberto Fujimori reportedly raised his country's flag on Thursday.

Colonel Jose Grivalva, commander of the operations in the conflict area, explained on Sunday that Fujimori was at another site and not in the Ecuadoran location of Cueva de los Tayos.

Joint Command Reports Casualties, Tiwinza Clashes

PA2802042495 Quito Voz de los Andes in Spanish 0300 GMT 28 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—According to a communique issued by the Armed Forces Joint Command, 27 Ecuadoran soldiers have died and 77 have been injured since hostilities with Peru began four weeks ago. The communique adds that Peruvian and Ecuadoran troops today engaged in skirmishes near Tiwinza, the controversial military post.

The communique states: Clashes within the last 24 hours occurred in the southeastern sector of Tiwinza, at the site known as the Y, where Peruvian troops are trying unsuccessfully to consolidate their positions.

The communique adds: The foreign observers delegation arrived at Patuca Military Base, which is closest to the conflict zone. The Joint Command hopes the multinational delegation's presence will make compliance with the Itamaraty Declaration possible and help consolidate a peace process that is permanently supported by the Ecuadoran Armed Forces.

Defense Minister: Peru Distorted Statements

PA2702163295 Madrid EFE in Spanish 1401 GMT 27 Feb 95

[FBIS Translated Text] Quito, 27 Feb (EFE)—Today, 27 February 199[illegible], Ecuadoran Defense Minister General Jose Gallardo said Peru distorted and misinterpreted his statements that he favored the creation of an ecological reserve along the area of conflict.

In a televised interview, Gallardo said the night of 26 February he "personally" favored the creation of an ecological reserve in the undemarcated area, which measures 78 kilometers, located in the Amazon region, where the Peruvian and Ecuadoran armies have clashed since 26 January 1995.

According to reports received in Quito, the Peruvian media today interpreted Gallardo's statements as "a message to his country with a flavor of defeat, (because) he recognized his troops have retreated and because he no longer claims the territory in conflict; he is now requesting the creation of an ecological reserve."

Gallardo maintained that "when I was asked how I would view the creation of an ecological reserve in the region, I was careful enough to say my opinion on this issue is not the same as those of the Armed Forces, let alone the national government."

"As I do with all the things I do in my life, I state my opinion," he said. "I see the creation of an ecological reserve as something good for humankind, our country, and Peru, but this belief in no way implies an abdication of sovereignty," the minister said.

He said he has not even raised this issue with his country's Armed Forces, as Ecuadoran nongovernmental and ecological organizations have suggested.

After he stressed his country's peaceful feelings, he emphasized "the fact we have to confront this war" without us fomenting its escalation. "Simply defending ourselves has indeed represented a contribution to peace, because we value life." He added, however, this does not mean Ecuador lacks determination, because "those who love peace the most are the ones who are more determined to defend the dignity of a country, because we do not base our strength on brute force but, rather, on spiritual values."

According to reports arriving today from Quito, Richard Bauer, president of Peru's Foreign Media Association (APE), who reportedly lashed out at Peruvian reporters in the last few hours due to the manner in which they are handling the information, questioned the Peruvian media's alleged impartiality.

Defense Minister on Mined Areas, Ecological Damage

PA2802012995 Quito Voz de los Andes in Spanish 2300 GMT 27 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuador has said that its Amazon area will be strewn with mines when the armed conflict with Peru ends because the terrain makes it difficult to remove them. Ecuadoran Defense Minister General Jose Gallardo Roman reported that there are various procedures for deactivating the mines, but it will be very difficult to do so in the Amazon region due to the numerous landslides in this area.

Ecuador and Peru continue to clash in this undelimited Amazon area. The Armed Forces of both countries have laid mines at their border posts during the ongoing conflict, a situation that could impede ecotourism and scientific investigations in the region, which is suited for such activities due to its biodiversity. The minister said, however, that he was confident that the area can become an open region for all humanity and for both countries.

The mines, which have already resulted in deaths and injuries, were laid along the Ecuadoran-Peruvian border. Minister Gallardo Roman said this area where the fighting it taking place is described as a humid tropical forest, home to a fragile ecological system. Furthermore,

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Indians [words indistinct] nations living on both sides of the Ecuadoran-Peruvian border will be seriously affected. The conflict is thus causing ecological problems and doing damage to the Indians living in that area. The biodiversity of the Ecuadoran Amazon is four times greater per square kilometer than that of Bolivia, Peru, and Colombia.

Demands Presence of Observers

PA2702191295 Paris AFP in Spanish 1744 GMT 27 Feb 95

[FBIS Translated Text] Quito, 27 Feb (AFP)—Today, Ecuadoran Defense Minister General Jose Gallardo (retired) demanded the immediate presence of international observers in the area of conflict in order to attain a "real and effective control" of a truce.

"We want an immediate, real, and effective control, given that 15 days have already elapsed since Peru proclaimed (on 14 February) the cease-fire practically at their convenience, because their infiltrated troops were undergoing a very difficult situation at that time," he said.

Argentina, Brazil, Chile, and the United States (guarantors of the Rio de Janeiro Protocol of 1942, which Quito and Lima signed and established new limits following a war), sponsored the Itamaraty Peace Declaration, which the two countries in conflict signed on 17 February in Brasilia to confirm the cease-fire.

Likewise, the guarantor countries pledged to dispatch observers to supervise truce compliance and other mandates covered in the same document.

Gallardo said "we believe the commissioners and observers will come and act in good faith," adding "we cannot doubt this point, and we hope they do so effectively."

Regarding this "effectiveness," Gallardo said he hoped that the presence of observers "is a guarantee to the two countries (Ecuador and Peru) that no advantages will be derived from the cease-fire and that a true separation of forces will take place so the clashes can cease."

"A cease-fire is not sufficient but, rather, a cessation of operations," the minister said.

He said "we hope the commission goes to all conflict areas (both on the Ecuadoran as well on the Peruvian side) so a true separation of forces can take place as well as a verification of the position of our bases and detachments."

He said that troops from both countries in the area of conflict are "near one another" and that "clashes are quite close."

"We are able to maintain the defense of Ecuadoran positions despite the proximity of Peruvian soldiers," Gallardo added.

Likewise, he said Ecuadoran military experts have asked about the possible use of toxic gases and flamethrowers by Peruvian forces during the latest attacks on Ecuadoran posts.

"It is difficult to carry out such an investigation under combat conditions. Gases from the same burning powder can be confused," he said.

Regarding Ecuadoran troop casualties, the minister said there were 27 soldiers killed and 71 wounded in combat up to 24 February.

Joint Command Chief: Observers Could Go to Tiwinza

PA2802010895 Quito Voz de los Andes in Spanish 2300 GMT 27 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Victor Bayas, chief of the Armed Forces Joint Command, said that the possibility of taking international observers to the Ecuadoran detachment at Tiwinza is under consideration, but that it can only be done with authorization from the two countries. Tiwinza is our country's current bulwark in the conflict with Peru.

[Begin recording] [Bayas] The observers will definitely be able to verify today that there is no hostility whatsoever on the Ecuadoran side.

[Reporter] Will the observers be taken to Tiwinza?

[Bayas] We hope so, but first we must wait to see how events develop.

[Reporter] What does it depend on?

[Bayas] On the willingness of the two countries.

[Second reporter] What do you think of Peruvian President Alberto Fujimori's statement that Ecuador will have to withdraw from the Coangos detachment?

[Bayas] That is a political matter, and it is not within my purview to comment on it. [end recording]

Victor Bayas, head of the joint command, has commented on Fujimori's statement regarding the demilitarization in Ecuador, which should involve a post other than Coangos. Bayas said that this is a political issue and consequently is not within his purview.

Duran-Ballen Gives Army Day Speech

PA2702191895 Quito Voz de los Andes in Spanish 1650 GMT 27 Feb 95

[Speech by President Sixto Duran-Ballen at the Eloy Alfaro Military College, in Parcayacu, on the 166th anniversary of the Battle of Tarqui, Ecuadoran Army Day—live relay]

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[FBIS Translated Text] A few days ago, when I visited Patuca, a soldier who had just been relieved, stood at attention in front of me, his president, and told me: Mr. President, I never took a step backward.

Vice President Alberto Dahik; Vice President of Congress; President of the Supreme Court of Justice; National Defense Minister Army General Jose Gallardo; cabinet ministers; ambassadors from friendly countries; Army general and commander of the Armed Forces Joint Command; commanders of the three branches; deputies of the honorable congress; Mayor of the metropolitan district; generals and admirals in active service and retired; military, naval, air, and police attaches of the friendly countries accredited to Ecuador; superior and subordinate officers in active service and retired; cadets; auxilliary personnel; journalists; ladies and gentlemen:

Today, this imposing military home that inspires and shelters us is the site for commemorating one of the most imporatant days of the fatherland, of our history, one of the most glorious days for Ecuador and its people.

Today the remembrance of Tarqui and its heroes has special importance for Ecuador and its Armed Forces. Today, our Armed Forces in Ecuador's southeastern border are confirming the Ecuadoran patriots' dignity, courage, and decision to offer their lives as they did in Tarqui 166 years ago.

The heroic events in Tiwinza, Cueva de los Tayos, Base Sur, Coangos, Teniente Ortiz, Condor-Mirador, Etza, and Soldado Monte are already part of our history. These are authentic bulwarks of our sovereignty, unrenounceable symbols of a nation that has stood up like never before to stop an aggression and to enforce respect for our sovereignty and truth.

Fellow citizens, today, Ecuador is united in a single will, voice, and heart. It has the will, determination, and firmness to enforce respect for our rights. It has a voice it will use to make known our truth, the truth of an honest and courageous people. It has the heart to assume, at this moment of pain, the extraordinary attitude of unity, cohesion, and solidarity to which the general commander of the Army has referred.

These are the values of the Ecuador of today; these must be the best instruments for the Ecuador of tomorrow and for the Ecuador of our children. This new Ecuador, about which I have talked to you so many times, already has solid foundations to confidently face the future, because during difficult times, we proved we were united in an exemplary manner.

The national unity is of utmost significance to be able to consolidate the fairness of our cause, which is the same one our Great Marshall Antonio Jose de Sucre arduously maintained and defended in 1829. A few days ago in Cumana, we marked the 200th anniversary of his birth and recalled that his sword freed the six Bolivarian nations. Keeping the nation united is the best way to stamp his presence in the freedom of America, as well as the best present we could give to the Tarqui anniversary. We need to remain united in our development; we also need to prove to the face of the continent that there is not a single doubt in the reasons why we took our international position. These reasons are included in the declaration that Sucre addressed to the Army from Cuenca on 28 January 1929 [year as heard]. The declaration reads as follows: We must open our eyes in light of this historical opportunity we now have, an opportunity that will let us strengthen the feeling for our nationalism and to cultivate and practice such military virtues as austerity, discipline, sense of humor, and self-esteem. The quote ends here.

If we divide ourselves internally, we will lose the best years we have to achieve justice and common good, to which people are entitled. This risk and this challenge that come from abroad must be used to break apart whatever might divide us. The blood our heroes shed yesterday in Tarqui and today in Tiwinza—as I was saying a few weeks ago in Cumana on the occasion of the bicentennial of the birth of the great marshall—today, as was the case 166 years ago, has given rise for many mothers, wives, and children to place floral wreaths on top of the graves of our fallen soldiers. Today I remember them.

We must also point to the memory of a person who knew how to give his life for the fatherland, General Miguel Iturralde. He absolutely, legally, and rightfully deserves the Great Cross to the Merit award. I signed the decree and the diploma today, which will be delivered to his relatives within the next few days. Not all heroes fall while fighting.

Today, I want to stress that the national government will channel all international actions needed to make a peace with dignity tangible, a peace that will never mean we are giving up on our positions and territory, a peace compatible with the spirit of defending Ecuador, which we have already begun forging. On this occasion, the guarantor countries must be impartial. It is true that the process in which the urgent separation of forces is only the first step begins today. We must therefore explain to these guarantor countries and to the entire world all the reasons that make possible to execution of the Rio de Janeiro Protocol in those places where geographical reality did not let us execute it before, thus making us reach a definite solution enveloped by peace together. It is a solution that will translate into territorial and continuous access to the Quito River and the great Amazon River, in keeping with an act of strict justice and vindication of the legitimate Ecuadoran rights.

As I end my speech, let us recall one phrase Great Marshall Antonio Jose de Sucre uttered following the Tarqui battle: Let us hope that this painful lesson will make us conclude an irrevocable peace and will let us make the respect for the independence of each state the

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basic foundation of the policies of the American governments. The quote ends here. I would add: We could well apply this phrase to the great Tiwinza feat. Ladies and gentlemen, thank you.

Commander Denounces Peru in Army Day Speech

PA2702214995 Quito Voz de los Andes in Spanish 1634 GMT 27 Feb 95

[Speech by General Jorge Ortega Espinosa, commander of the Army, on the 166th anniversary of the Battle of Tarqui, Ecuadoran Army Day, at the Eloy Alfaro Military College in Parcayacu—live relay]

[FBIS Translated Text] Architect Sixto Duran-Ballen, constitutional president of the Republic of Ecuador; Economist Alberto Dahik, constitutional vice president of the Republic; President of the Honorable National Congress; President of the Supreme Court of Justice; National Defense Minister; Messrs. cabinet members; Messrs. ambassadors from friendly countries; Joint Chiefs of Staff; general commanders of the Navy, Air Force, and National Police; Messrs. deputies of the Honorable National Congress; Mr. Mayor of the metropolitan district; active and retired generals and admirals; naval, air force, and police attaches from friendly countries; active and retired officers and subordinates; Messrs. cadets, troops, and members of the news media:

On a day like today, 27 February, 176 years ago, following the defeat of the invading forces directed by Peruvian President Marshal Jose de la Mar in [words indistinct], the Ecuadoran Army was born for glory and immortality.

The forces organized in Sur Department—currently Ecuador—by General Juan Jose Flores, inspired by the strategic genius of Marshal Antonio Jose de Sucre, and formed mostly by contingents from Quito, Cuenca, and Guayaquil, went out to defend the territory of Quito Department, which was Ecuador's during the pre-Colombian era, during the colonial period, and during the Gran Colombia period.

In tactical maneuvers against superior forces that had occupied Guayaquil and had invaded Cuenca Department from the south, which dominated the sea and were beginning to control the interior, the Battle of Tarqui created the miracle in which 4,000 Gran Colombian men defeated 8,000 Peruvians who had invaded Libertadores territory. [applause]

If the history of humanity is the drama of men and, consequently, the drama of peoples, it must be judged in accordance with all of the deletions and omissions it underwent, without overlooking justice's virtues of understanding and [word indistinct].

It is essential to maintain this sense of balance in judging the actions of men, without erroneously exalting or undermining them. Men's actions, when their people are compromised, become history, the living substance of past events that nourish current events. Therefore, such actions can very well be judged from a historical perspective.

For more than 100 years, Ecuador's international history has been primarily a history of conflict with Peru—a history made evident through a process of dramatic difficulties which, after years, culminated with the imposition of a border document in 1942.

After this came the military campaign of 1981 along the Condor Mountain Range, which led to the current unrelenting invasion of our military detachments in Alto Cenepa, precisely when we were about to observe the 176th anniversary of the defeat at Tarqui.

With understandable faith in the depths of the Ecuadoran people's patriotic conscience, in their convictions regarding sovereignty, which is their supreme attribute, and the strength of their heroic determination to defend the nation's rights, this 27 February has found us with our Ecuadoran soul stirred by the Ecuadoran Army's almost superhuman effort, by its bravery in the face of danger [words indistinct], and by our troops' complete sacrifice of their lives to defend the integrity of the fatherland from an audacious, senseless, and deceitful aggression by Peru, which is attempting once again to seize territories that are and traditionally have been ours.

How unfortunate our nation, which because of its inexorable geographic fate, has been condemned to be the neighbor of a warmongering nation which, contrary to all reason and rights, [words indistinct] illegitimate expansionism, is once again using its military power to stage an armed aggression that (?violates) the peace and security of a peace-loving and respectful state.

All of the above is even more unquestionable because it involves a small country like Ecuador, whose limited economic resources and only valid strength lies in its loyal commitment to peace, its unyielding adherence to law and justice, and the shrewd employment of its moral and intellectual means which, when it comes to armed conflicts, has only sought civilized coexistence with its neighbor to the south.

Peru's hostile leanings have conspired against this irrefutable fact for more than a century, aside from disrespecting its bilateral and international agreements, without weighing the consequences of its continuous armed aggressions, [words indistinct] the processes of peace, security, and harmony, which Bolivar's genius and Sucre's nobility desired for our peoples.

In the extensive and compelling duty the Ecuadoran Army has carried out since its creation in 1829, its greatest virtues have been its exemplary devotion and fidelity to its fatherland. Those virtues are inspired by the clear conscience of its pure and humble men—virtues that also characterize the people of which they are a part—and the mandates of its historical role in favor of peace and solidarity with its fellow men.

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Therefore, at this critical period our fatherland is facing, the hands of all Ecuadorans are open. The national community has opened its arms. The hearts of the people have redoubled their beat to surround their Army with gratitude and civic love. The Army has been strengthened and honored by a huge wave of national fervor.

We are all people in uniform, and within the heart of each Ecuadoran soldier beats the same love that protects the land in which we were born, the mother that cries for her son fighting on the front, the wives and sweethearts that remember the last kiss of those who have left, and the son who is proud of having the same blood in his veins as those who have given their lives for their homeland.

As general commander of the Ecuadoran Army, I can only proclaim my eternal tribute of admiration, respect, and gratitude to the glorious Marshal Antonio Jose de Sucre, forger of my fatherland's Army as we celebrate today another anniversary of the Tarqui victory. The same holds true for the Ecuadoran people who guard our weapons and make our Army stronger each and every day to defend our territorial rights; for the constitutional president of the Republic and commander in chief of the Ecuadoran Armed Forces for his unselfish, sagacious, and inspiring guidance along the social, military, and diplomatic fronts; my comrades in arms in the Air Force and Navy who, together with us, are facing the rigor of the military conflict with bountiful love and loyalty for our fatherland; and, above all else, for the eternal God of battle, who from heaven protects our struggle for peace, justice, and liberty, and to whom we pray for our heroes who have given their young lives for our homeland.

Finally on this solemn and patriotic occasion, I want to stress the highly emotional act that the presentation of weapons to the cadets of the 4th Company represented. In your hands, cadets of the Army, with these weapons is the fatherland's soul, its dignity, survival, and pride. You will use them with courage under the circumstances destiny has prepared for you. Honor and glorify them, because in you, as in the [words indistinct] is the substance of our national soul, which we hope will multiply in your souls, which have been called upon to fulfill the most glorious destiny.

Follow the example of [words indistinct] heroes who taught us to maintain the principles of respect and obedience to the established power. Respect the same line of conduct your Armed Forces are observing in their struggle for national security and their constant assistance to socioeconomic development programs, which they have always supported with fidelity to benefit our people.

Never forget that our fatherland lives under a democratic and legal system which we must guarantee. Only in this way can Ecuador continue on the path of peace, sovereignty, and dignity, which since 1829 is, has been, and always will be the essence of its spirit. Thank you very much. [applause]

Foreign Minister: Vatican Envoy Welcome

PA2802042295 Quito Voz de los Andes in Spanish 0300 GMT 28 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—The foreign minister of Ecuador has reported that the Ecuadoran Government anticipates with enthusiasm the visit of John Paul II's delegate, Cardinal Carlo Furno, to mediate between Peruvian President Alberto Fujimori and Ecuadoran President Sixto Duran-Ballen. In an official communique, the Foreign Ministry states that the Ecuadoran Government pledges its most determined cooperation in the successful completion of his lofty peace mission from which the Ecuadoran people expect so much.

Furno, who is in Lima on a goodwill trip, will later travel to Ecuador in an effort to help implement the Peace Declaration of Itamaraty, signed by the two countries on 17 February in Brasilia. John Paul II's special envoy was received today in Lima by President Alberto Fujimori, with whom he talked for over one hour at the Peruvian presidential palace.

UN Envoy Reports Cease-Fire Violations to Security Council

PA2702222895 Paris AFP in Spanish 1535 GMT 27 Feb 95

[FBIS Translated Excerpt] Quito, 27 Feb (AFP)—Luis Valencia, Ecuadoran ambassador to the UN, announced on Monday that Ecuador reported to the UN Security Council that Peru "flagrantly violated" the cease-fire reached in the border conflict between the two countries.

In statements from New York for a national newscast, Valencia explained that Foreign Minister Galo Leoro sent messages to the UN Security Council president and UN Secretary General Butrus Butrus-Ghali informing them of the "Peruvian aggression being withstood by Ecuador."

He added that all the Security Council members were informed on a daily basis by the Ecuadoran mission "about the incidents of this grave situation."

They all "know perfectly well how the conflict evolved following Peru's attack, its consequences, and the actions carried out by Ecuador to achieve a cease-fire, through the Peace Declaration of Itamaraty, which was reached after long, difficult negotiations," the diplomat emphasized.

"They also know Peru flagrantly violated the pledge acquired with the guarantors and Ecuador, and this information has been provided to the secretary general, high-ranking officials, and all the UN member nations," he said.

According to the ambassador, the Security Council members have already held a round of informal consultations on the Peruvian-Ecuadoran conflict.

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He added: Although no official statement has been issued, the usual procedure in situations like the one "being withstood by Ecuador" is to exhaust all mechanisms of a treaty (the 1942 Rio de Janeiro Protocol) before appealing to regional organizations like the OAS.

"The last resort is the highest world organization in charge of international peacekeeping and security, meaning the UN Security Council," he emphasized.

Regarding the Itamaraty Peace Declaration signed on 17 February by the governments of Quito and Lima, he said "in no way was it a failure of Ecuadoran diplomacy."

"It was a victory because a cease-fire was achieved and hostilities ended, which is what Ecuador had been requesting since the problem began," he concluded. [passage omitted]

Central Bank Chief Warns of Economic Fallout

PA2702194695 Paris AFP in Spanish 1639 GMT 27 Feb 95

[FBIS Translated Text] Quito, 27 Feb (AFP)—Augusto de la Torre, general manager of the Central Bank of Ecuador, today said it will take the country a year or more to recover from the economic and social effects of the conflict with Peru, and he issued a plea for the situation not to worsen.

During an interview with Ecuadoran journalists, De la Torre said the macroeconomic indicators have had to be readjusted to minimize the effects of the undeclared war. Moreover, he said the situation is worsening with each day of the crisis.

For instance, he said that, after a little more than one month of hostilities, Ecuador has begun to feel the effects of dwindling bank credits and the reluctance of foreigners to invest in the country as much as they did before the conflict. He is afraid that jobs will be lost and that inflation and the fiscal deficit will increase.

"I believe Ecuador will need at least one year, perhaps more, to recover from the socioeconomic blows dealt by this conflict," De la Torre remarked, noting that a great deal of work and unity are needed to prevent additional damage.

He recalled that for 1995 (before the war broke out), President Sixto Duran-Ballen's government had forecast an inflation rate of between 20 percent and 21 percent, economic growth of 5 percent, and a devaluation of 17 percent.

"Now, with the conflict, we believe the inflation rate will not be lower than 23 or 24 percent, economic growth will decrease by at least 1 or 1.5 percent, and devaluation could reach 20 percent," De la Torre said. Nevertheless, he added that there is no reason to be pessimistic, and he went on to recommend that the National Congress approve a governmental draft bill seeking to eliminate VAT (value-added tax) exemptions.

"We believe this initiative on the exemptions is very important, because it will help mitigate the effects of the crisis," De la Torre said. Meanwhile, he pointed out that "exemptions for exports will not be eliminated; we will maintain these."

Commentary Urges Definitive Border Closing

95SM0208A (Internet) FOREIGN MINISTRY GOPHER in Spanish 23 Feb 95 p 0

[Commentary by Fabian Izurieta Mora Bowen from Guayaquil EL TELEGRAFO 23 Feb 95 p 4-A]

[FBIS Translated Excerpt] Quito, 23 February 1995—Ecuador has emerged victorious from its confrontation of January-February 1995 with Peru. We have unquestionably achieved a victory on the military, diplomatic, informational, and political fronts. The leadership has been excellent, and the Ecuadoran people in their entirety approve of the performance and achievements of those who have guided our actions in this matter. At this historic moment for Ecuador when the UN, the OAS, and the international laws have been shown to have no validity, the Ecuadoran people have demonstrated that they can be united and win victories—even heroic victories—that will compel respect for their territorial positions. [passage omitted]

These events have led us to clarify our opinion that it is time to close the border with Peru. We cannot continue to progress if this problem remains in abeyance, because it affects our development and our need to dedicate all our resources—human and material—to the task of raising the living standards of the impoverished majority of our country's population. It is time to resolve this issue, which for more than 50 years has cast a cloud over our history. I shall herewith outline some ideas on this subject.

1. President Duran-Ballen should assume the leadership and conduct of the negotiations relating to closure of the southern border.

The president's leadership has proved to be effective in the management of the problem with Peru. He will have the task of carrying out such consultations as he deems appropriate, and of determining the positions that are most advantageous for our national interests. Our desire to have sovereign and direct access to the Amazon River should be given consideration.

2. It is of essential importance to avoid politicization of this matter, and the consultations should therefore be conducted at a high level. We do not want petty politicians to waste space in the print media and on television attempting to divine the Ecuadoran people's desires with respect to the problem. We already know that 90 percent of Ecuadoreans want the border to be closed, and we also know that there are as many theories about how to close the border as there are living Ecuadoreans: hence the need for presidential leadership.

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3. I believe that the guarantor nations are the forum where Ecuador should present its proposals. The Rio de Janeiro Protocol is in force, and we have accordingly based our opinion on that document. The guarantor nations individually—and collectively, even more so—are sufficiently strong and knowledgeable about history to provide a stimulus for reaching agreements during such negotiations, which should last no more than 90 days nor begin before the 1995 presidential election in Peru.

4. These negotiations should be useful in the search for realistic and practical ways to reach an understanding, but they should not be used to stage a wasteful display of patriotic emotions such as have held us back for many years. On this point, President Duran-Ballen should have no doubts as to the intelligence of the Ecuadoran people and their fervent desire to put an end to this border problem with Peru.

5. The final solution and final agreement should be submitted to the people for their approval, so that the president of the Republic can enable the Ecuadoran people themselves to democratically render the final verdict in the matter. This verdict, however, should be either approval or disapproval of the action taken by the president. To do otherwise—i.e., to attempt to conclude agreements before the negotiations are held—would be stupid.

6. In conclusion, we should prepare to continue our struggle to obtain the annulment of the Rio de Janeiro Protocol. That is another issue, however, and it should be raised in other forums: forums that are of a legal character. Until there is a decision on this issue, however, the Rio Protocol remains in force and should not continue to drain our resources.

Forward, Mr. President!

Economic, Financial Strategies Proposed

95SM0208B (Internet) FOREIGN MINISTRY GOPHER in Spanish 21 Feb 95 p 0

[Commentary by Eduardo Larrea S. from Quito EL COMERCIO 20 Feb 95 p A-4]

[FBIS Translated Text] After the nation enters a period of precarious peace—and when Ecuadoran unity is consolidated in preparation for the dialogue between the two countries and for the support of the international organizations with a view to ending the military conflict between Ecuador and Peru by definitively closing the border and converting the Rio Protocol into a genuine instrument for establishing peace, friendship, and national borders—it is essential that our nation take, in the financial and economic sector, the most practicable course for reactivating the apparatus of production and continuing the efforts to defeat our most serious enemy, which is inflation.

We accordingly need a new, pragmatic, and solid unity between the production and labor system on the one hand and the government and political parties on the other, so that the economic sector will become the essential framework for a future of secure peace and national solidarity.

In our opinion, it is necessary to unite the efforts of the superintendency of banks, the monetary board, and the finance ministry with those of the financial system in general, with a view to laying the foundations for a new road to a stable peace in the economic sector.

To this end we believe that resolute efforts should be made in some areas of the fiscal sector to achieve a new budget that will involve using the new resources to finance the transition from the emergency war sector to the consolidation of the peace. Payment of the expenses entailed by the emergency should accordingly be made in installments—semiannually, if possible—or perhaps postponed to the final year of the administration, using the extraordinary resources that will have been created. As for the respective fiscal years of the two final years of the term of the present government, the revenues from the concessions and privatizations should be programmed in conformity with the basic requirements entailed by the new, firm measures taken by the state—namely, regulation by law; administrative coordination; and the essential foundations for education, public health, and the harmonious apportionment of labor and capital, accompanied by firm steps toward the termination, or continuation, of service on the foreign and domestic debt and toward putting the nation's social security system in order.

Moreover, it is essential that the monetary authorities, the superintendency of banks, and the financial system develop a basic plan for facilitating credit, instituting a more equitable distribution of liquidity, and mitigating the strong tendencies against equal access to liquidity and credit while at the same time establishing the bases for the reduction of interest rates.

I believe that the first stage would consist of adjusting the level of various macroeconomic and microeconomic indicators at the expense of the current position of the financial organizations, which should reduce their charges and simplify their regulations and systems so as to assist the production sector in preference to the risky short-term investments that are made in anticipation of easy, very quick profits. The expectations of instability must be reduced, and clearer and more promising foundations on which to build confidence must be laid.

Peru

Prime Minister Departs for United States

PY2702124695 Madrid EFE in Spanish 1645 GMT 26 Feb 95

[FBIS Translated Text] Lima, 26 Feb (EFE)—Peruvian Prime and Foreign Minister Efrain Goldenberg left

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today for the United States to thank officials of that country, a guarantor of the Rio de Janeiro Protocol, for the U.S. role in negotiations to achieve the cease-fire between Peru and Ecuador.

Goldenberg will remain in the United States until 28 February, when he will leave for Montevideo to participate together with his Ecuadoran counterpart and the foreign ministers of the guarantor countries (Argentina, Brazil, Chile, and the United States) in a meeting to evaluate the situation resulting from the frustrated cease-fire between Peru and Ecuador.

Goldenberg will also participate in the presidential delegation that will attend the transfer of power in Uruguay between outgoing President Luis Alberto Lacalle and incoming Julio Maria Sanguinetti.

The Peruvian delegation will be headed by Peruvian President Alberto Fujimori, who during his stay in Montevideo intends to explain the Peruvian position in the armed conflict with Ecuador.

Thanks U.S. for Efforts as Guarantor

PY2802050095 Lima Global de Television Network in Spanish 0130 GMT 28 Feb 95

[FBIS Translated Text] Today Peruvian Foreign Minister Efrain Goldenberg thanked the administration of U.S. President Bill Clinton for the efforts made by the United States in its capacity as guarantor of peace between Peru and Ecuador.

Goldenberg met in Washington with Anthony Lake, assistant to the President for national security affairs, and Richard Feinberg, special assistant to the President and senior director for Inter-American affairs.

Tomorrow Goldenberg will leave for Uruguay, where he will participate in the meeting of guarantor countries' foreign ministers.

Ponce: Montevideo Meeting Not To Modify Declaration

PY2802005195 Lima Radio Programas del Peru Network in Spanish 2358 GMT 27 Feb 95

[FBIS Translated Text] The Peruvian Government hopes to attain a new diplomatic victory in the meeting of foreign ministers to be held in Montevideo, Uruguay, tomorrow in an attempt to reach a peaceful solution to the border conflict with Ecuador.

Peruvian Deputy Foreign Minister Eduardo Ponce said that the participation of the Peruvian delegation in the foreign ministerial meeting reaffirms Peru's will and good disposition to implement the Itamaraty Peace Declaration.

The meeting of Peruvian and Ecuadoran foreign ministers and of the representatives of the guarantor countries to be held in Montevideo tomorrow must contribute to speeding up the process for the implementation of the peace declaration.

[Begin Ponce recording] The agreements reached must be agreements clearly establishing the scope and implementation of the Itamaraty Declaration, because they are not authorized to hold a formal meeting to modify those agreements. It should be made clear that the nature of tomorrow's meeting is that of a true good-will meeting but that it will not generate any formal actions regarding what should contribute to speeding up the implementation of the Itamaraty Declaration. I think it would be worthless to create further expectations because that is not the purpose of the meeting. [end recording]

Guarantors 'Will No Longer Tolerate' Cease-Fire Violations

PY2702135095 Lima Radio Programas del Peru Network in Spanish 1300 GMT 27 Feb 95

[Special report from Lima by Guido Lombardi]

[FBIS Translated Text] The guarantor countries of the Rio de Janeiro Protocol have said that they will no longer tolerate violations of the cease-fire between Ecuadoreans and Peruvians.

Peruvian President Alberto Fujimori stressed the need for the presence of observers from the guarantor countries at Watch Post One and Coangos to verify in situ which is the aggressor country.

The Peruvian president added that it would be very interesting for OAS Secretary General Cesar Gaviria to visit Watch Post One and to promote an invitation to visit Coangos as well.

He was thus referring to recent remarks made by Cesar Gaviria on economic sanctions and a weapons embargo on Peru and Ecuador.

President Fujimori reaffirmed the fact that Peruvian troops are in control of the base that has so far has been called Tihuinza, but that combat continues because Ecuadoran military officers want to recover that zone at all costs.

In exclusive remarks to this reporter, President Fujimori said last night that the reasons that led Peru to support with its signature and vote the granting of a $200 million credit to Ecuador, a credit granted by the Latin American Reserve Fund, lies in the Peruvian interest in maintaining the stability of the Ecuadoran Government.

Advance Mission of Guarantors Leaves for Bagua

PY2802002295 Lima Radio Programas del Peru Network in Spanish 2223 GMT 27 Feb 95

[FBIS Translated Text] The second advance mission of observers of the guarantor countries left for Bagua today. The four vehicles carrying the four observers arrived at

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the 8th Air Group without any security from 1600 to 1625 this afternoon. They did not talk to reporters, who were not allowed to enter the air group area. The reporters were only informed about the arrival of the four observers.

Earlier today the ambassadors of the guarantor countries held a meeting at the Foreign Ministry to coordinate the actions of the mission with Peruvian officials. Brazilian Ambassador Luis Coutinho Perez explained the task of the observers in Bagua.

[Begin recording] [Coutinho] Today they are leaving for Bagua, which will be their initial base. From Bagua they will go to other sites as necessary.

[Reporter] [question indistinct]

[Coutinho] This is not a tour. This mission was ordered by the guarantors in Brasilia with the purpose of awaiting the definitive mission of observers that will come later. This is to prevent the development of a vacuum between the advance mission that left Peru on 25 February and the definitive mission that will arrive within the next few days. This mission is a response to the Chilean proposal to have representatives of the embassies of the guarantor countries in Quito and Lima act as observers during this period. [end recording]

This means the mission that left for Bagua will have a task similar to that of a parallel mission that left for Patuca, Ecuador.

Observers To Visit 28 Feb; Papal Envoy Arrives

PY2702211895 Madrid EFE in Spanish 1854 GMT 27 Feb 95

[FBIS Translated Excerpt] Lima, 27 Feb (EFE)—A new mission of military observers will arrive on 28 February at the Peruvian-Ecuadoran border in an effort to stop the escalation of the conflict and the continuing violation of the cease-fire agreed upon by the two countries on 15 February.

This will be the second mission sent by the guarantors of the Rio de Janeiro Protocol—Argentina, Brazil, Chile, and the United States—and it will be comprised of the military and civilian attaches accredited in Lima and Quito.

The mission to be undertaken by the new group of observers was agreed upon by the guarantors on 26 February in Brasilia after receiving the report of the advance mission headed by Brazilaian General Ariel Pereira da Fonseca, which visited the Ecuadoran-Peruvian border last week.

Before leaving, Pereira said the situation in that zone was "much more serious than we thought," and that the mission members were moved by the sight of the soldiers wounded in combat.

General Pereira said: "The war images are disturbing; the seriousness is quite obvious." [passage omitted]

Meanwhile, Pope John Paul II's personal envoy, Cardinal Carlos Furno, arrived in Lima today to intercede on behalf of the Vatican in an effort to restore peace between the two Andean nations.

Lima Auxiliary Bishop Monsignor Luis Irizar has reported that Cardinal Furno will not talk with the media during his stay in Lima, and that his visit "was a personal initiative on the part of Pope John Paul II."

Irizar added: "Cardinal Furno came to support the mission of the guarantor countries and not to act as mediator or expert." [passage omitted]

Papal Envoy Meets Fujimori, Urges Respect for Accord

PY2802014395 Madrid EFE in Spanish 0002 GMT 28 Feb 95

[FBIS Translated Text] Lima, 27 Feb (EFE)—The Itamaraty Peace Declaration must be respected by Peru and Ecuador. This was stated in Lima today by Cardinal Carlo Furno, special envoy of Pope John Paul II, after a meeting with Peruvian President Alberto Fujimori at Government Palace.

As he left Government House, where he arrived accompanied by the apostolic nuncio to Peru, Monsignor Fortunato Baldelli, Furno asserted that the Rio de Janeiro Peace, Friendship, and Limits Protocol must be respected by the two countries in conflict in order to end the armed violence on the Peruvian-Ecuadoran border.

After a protocol meeting, the prelate conveyed His Holiness John Paul II's greetings to the Peruvian president, who held a strictly private meeting with the Vatican's envoy. The meeting lasted one hour.

The papal envoy's recommendation regarding the Itamaraty Peace Declaration (signed on 17 February) coincides with the Peruvian Government's position, which was reasserted last week by President Fujimori when he denied that Peru was going to denounce the agreement reached by the representatives of the guarantor countries.

This was stated in a communique issued by the Press Secretariat of the Presidency of the Republic after the meeting, in which it is stated that the Peruvian president expressed to the papal envoy the Peruvian Government's determination "to respect international treaties."

Carlo Furno arrived in Peru today from the Vatican, and as soon as he concludes his talks with Peruvian authorities, he will travel to Quito, where he will hold a meeting with Ecuadoran President Sixto Duran-Ballen and other Ecuadoran Government authorities.

Regarding the visit of the Catholic prelate to Peru, the Apostolic Nunciature in Lima issued a press communique on Saturday, 25 February, stating that Furno's

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mission is essentially informative, as well as to "express the Holy Father's deep concern over the hostilities" between Peru and Ecuador.

Furno also urged the parties in conflict to respect the cease-fire and other commitments of the "Itamaraty Peace Declaration," signed by Peru and Ecuador on 17 February, as well as to support the efforts being made by the four guarantor countries of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States).

Fujimori Visits Front 26 Feb; Border Fighting Increases

PY2702144895 Madrid EFE in Spanish 1326 GMT 27 Feb 95

[FBIS Translated Text] Lima, 27 Feb (EFE)—It was reported in Lima on 27 February that in view of increased hostilities in the area of conflict along the Peruvian-Ecuadoran border, Peruvian President Alberto Fujimori paid a 3-hour visit to the front on 26 February.

The president flew to Bagua, 250 km away from the area of combat, and then to the Ciro Alegria military base, where he met with Colonel Ricardo Chiabra, commander of Watch Post One, and with Colonel Eduardo Canorio, commander of Ciro Alegria.

Both commanders told Fujimori that there has been more fighting in Tihuinza and Base Sur, in the Condor Mountain Range watershed over which Peru claims ownership. The two bases are in Peruvian hands and Ecuador is fighting to retake them.

After being informed about the military situation, Fujimori returned to Lima. Meanwhile, Peruvian troops stationed in Tihuinza have been relieved, and military sources have reported that at least 1,000 Ecuadoran soldiers have infiltrated Peruvian lines on their way to Watch Post One.

Wounded Peruvian soldiers who were evacuated to Bagua for treatment have stated: "We have seen them deploying and opening fire on our positions."

Fujimori talked to television reporters before and after his trip to Bagua. He said that 40 Peruvian soldiers have been killed.

Following an urgent meeting of the guarantor countries' ambassadors in Lima, a spokesperson reported that four observers—one from each of the Rio de Janeiro Protocol guarantor countries, namely Argentina, Brazil, Chile, and the United States—will arrive in Peru and Ecuador on 28 February to serve as liaison with the permanent mission of guarantor countries that is expected on 8 or 9 March. The permanent mission will start working once the cease-fire stipulated in the Itamaraty Peace Declaration signed on 17 February is implemented. So far this cease-fire has not materialized.

Defense Minister: Clashes Decreasing; 45 Killed

PY2702224895 Lima Radio Programas del Peru Network in Spanish 2210 GMT 27 Feb 95

[FBIS Translated Text] Defense Minister Victor Malca Villanueva said today before the Congressional Leadership Council that 45 members of the Peruvian Armed Forces have been killed in the 30 days since the armed conflict with Ecuador began.

Malca also revealed that the clashes in the northern border region have decreased in comparison to the past few days, and that the Peruvian troops are advancing toward the hills of the false Tihuinza to definitively evict the Ecuadoran troops who infiltrated into Peruvian territory.

Press Banned From Front Posts for 4 Days

PY2702150395 Lima Radio Programas del Peru Network in Spanish 1433 GMT 27 Feb 95

[Live telephone relay by correspondent Ismael Byron Horna from Bagua, near the border with Ecuador]

[FBIS Translated Text] Upon orders from the high command of this military base, reporters have been banned for four days from entering the Ciro Alegria military base and Watch Post One, due to security measures and a reorganization of the forces stationed in strategic zones.

Moreover, an unspecified number of pilots from Army aviation has arrived at this center of operations to receive instructions and precise orders for supporting with air fire the elite commandos who are at this moment waging a tenacious war to evict the invading forces.

'Unusual' Military Deployment Expected in Chiclayo

PY2702231895 Lima Radio Programas del Peru Network in Spanish 2241 GMT 27 Feb 95

[Relay from Chiclayo by Jorge Fernandez Sanchez]

[FBIS Translated Text] Air Force and Army troops in Chiclayo have taken positions as if they were engaged in a declared war. There is great expectation and concern among Chiclayo inhabitants, although the general consensus is that Peru must end this situation by dislodging the invaders with a decided and definitive action.

There is complete secrecy among local military sources. It was disclosed that something unexpected may happen at any moment, that there might be an unusual deployment of troops and weapons in this jurisdiction.

The temperature here is 24 degrees centigrades. This was a report by Jorge Fernandez Sanchez for Radio Programas del Peru.

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Troop Relief Suspended; Elite Commando Group Arrives

PY2802012895 Lima Radio Programas del Peru Network in Spanish 0017 GMT 28 Feb 95

[Live telephone relay by Ismael Byron Horna from El Valor airport in Bagua]

[FBIS Translated Excerpt] Just as we reported earlier today, Radio Programas verified that the relief of troops in the conflict zone was suspended to allow the entry of elite commandos. The members of the most powerful elite group, the Army Pachacutec Commando, arrived at El Valor military aiport today. This commando group, along with the members of the Peruvian Marine Special Operations Force, will be in charge of evicting the Ecuadoran troops in Base Sur and Cueva de los Tayos. The 80 members of the commando group were vaccinated against malaria and tetanus by the Peruvian Social Security Institute. Reporters were also vaccinated to enable them to carry out their task at the front lines. [passage omitted]

The elite Pachacutec Commando has already left for the conflict zone to support the other elite forces that are deactivating land mines at the front lines.

Ecuador Said To Use Electric Fences, Mines

PY2702193495 Lima Radio Programas del Peru Network in Spanish 1900 GMT 27 Feb 95

[Relay from Tumbes by Rosario Rodriguez]

[FBIS Translated Text] The closure of the border, as ordered by the Ecuadoran Government, continues.

The Ecuadoran Government has stepped up its measures by using mines and barbed wire connected to the power system to electrocute people who may try to cross to Huaquillas district. Local inhabitants say this seriously threatens the lives of civilians from Aguas Verdes.

This aggressive attitude of the Ecuadoran Government has brought anguish and is repudiated by Tumbes inhabitants in general.

Columnist: Fujimori 'Lied' to Country

95P20558A (Internet) Ecuador Foreign Ministry Gopher in Spanish 26 Feb

[Commentary by Fernando Rospigliosi in Lima weekly CARETAS 24 Feb]

[FBIS Translated Text] It is not strange that the fighting continues in the Condor Mountain Range, since Ecuadoran troops were on Peruvian territory at the time that Alberto Fujimori announced the cease-fire Monday the 13th and at the time the agreement in Brasilia was signed, Friday the 17th.

Fujimori lied to Peru when he said that the invaders had been dislodged. Today there no longer is any doubt that when Fujimori delivered his message to the country on Monday the 13th, the invaders had not been dislodged, and that they still are there.

On Tuesday the 21st there was a rumor that Peru might renege on the agreement signed in Brasilia, citing the Ecuadorans' lack of respect for the cease-fire.

All this maneuvering back and forth results not only from the military and diplomatic setbacks that Peru has suffered, but also from Fujimori's election interests.

It could be that the candidate-president decided to end the conflict one way or another once he realized that it could not be resolved quickly and that its prolongation might destroy his reelection chances on account of the cost in lives and monies.

But he was not able to admit that he had not succeeded in expelling the invaders. Acknowledging the military disaster for what it was would have meant to admit defeat and that could have ruined Fujimori's chances in the election.

It would have become evident that Fujimori bore the responsiblity, both with regard to a lack of foresight that allowed the Ecuadorans to comfortably infiltrate the area over the past several years, and with regard to the Armed Forces' inability to expel the invader.

So, for strictly election-related reasons, Fujimori took the extreme step of pronouncing the greatest lie he has ever told in the course of these five years, trusting that his control of several of the most important communications media would allow him to deceive the country, at least until April 9.

For this reason he hastened to announce a unilateral cease-fire, trying to pretend that the defeat was a victory, and then accepting an agreement which in essence recognized the Ecuadoran proposal.

In the event that the government and the military command had concluded that it was not possible to throw out the Ecuadorans from our territory without tremendous cost, the other choice would have been to admit defeat, to explain to the country what it would mean to continue a war under these conditions, and to try to arrive at an agreement in Brasilia.

But for Fujimori this meant losing the elections. He should have done what Lyndon Johnson, bogged down in Vietnam, did when he renounced his candidacy in the 1968 election.

But Fujimori clings to power like to nothing else, and he did not hesitate to deceive the country and to sacrifice national interests for the sake of his political ambitions.

Nevertheless, some things are beyond his control. The guarantor nations' representatives will arrive any moment at the combat zone. Who will receive them at Tihuinza, Base Sur, or any other post in the conflict

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zone? What will happen if they encounter an Ecuadoran detachment, flag raised, at any of these bases?

Fujimori's farce will be exposed. Worse yet, what will happen if the Ecuadoran military hand over a base on Peruvian territory to the guarantors, but leave civilian authorities there? The Brasilia agreement does not prevent them from doing that, and this would leave them a basis for reclaiming the territory later on.

To sum up, the complications that have arisen in recent weeks are the result of the mistakes Fujimori made because of his ambitions, each mistake entangling him more and more in his own lies.

Covering one lie with another only aggravates the situation for Peru, while heroic Peruvian soldiers continue to die, blown to pieces by the terrible traps the invader has laid.

Uruguay

Ruling, Opposition Political Groups Sign Accord

PY2402134895 Montevideo EL PAIS in Spanish 15 Feb 95 p 8

[FBIS Translated Text] Representatives of the Colorado Party, the National Party, and the New Space yesterday signed, without objections, an agreement on state reform. The Broad Front walked out of the negotiation following a political decision adopted on 13 February.

Eduardo Ache, the Colorado Party commission's coordinator, said the decision on public companies points at "how to make them compete on an equal footing with similar entities in Mercosur [Common Market of the South] countries."

Ache said representatives showed the appropriate respect for international agreements and discussed the issue of monopolies, citing as an example alcohol production.

Ache said: "We discussed how to become efficient. We have not discussed or thought about transferring public monopolies to the private sector, or about changing companies' state ownership."

The Colorado Party representative said the document signed by the three political parties "was drafted with the necessary pragmatism, in open negotiations, without exclusions, yet allowing the National Party and New Space to make proposals."

Ache said Broad Front representatives walked out of the negotiation following a political decision "although they agreed with the spirit and conceptual development" of the document.

Venezuela

Ministry Issues Communique on FARC Border Attack

PA2702211295 Caracas EL UNIVERSAL in Spanish 27 Feb 95 p 1-8

[FBIS Translated Text] The Venezuelan Foreign Relations Ministry has issued an official communique urging the Colombian Government to monitor the border more closely to prevent guerrilla attacks on Venezuelan military officers.

As it condemned the attack on the Cararabo River post, in Apure State, the Foreign Ministry stated that the rebels belong to the Revolutionary Armed Forces of Colombia, FARC, and reported that all Venezuelan border posts were reinforced to guarantee security in the region.

Following is the text of the communique the Venezuelan Foreign Ministry issued:

Communique

The Foreign Relations Ministry is reporting that in the early hours of 26 February, the Cararabo River post, which the Navy has on the Meta River, Apure State, was attacked.

The assailants, who are alleged members of the Revolutionary Armed Forces of Colombia, using various weapons, killed eight marines and wounded four others. The marines were taken by surprise.

The Venezuelan and Colombian presidents, as well as the corresponding ministers and the ambassadors to the two countries, have kept in contact to guarantee that the attackers, who once more are trying to reap benefits from impunity, will be effectively persecuted.

The president of the republic has urged His Excellency President Samper to swiftly and efficiently condemn this action against an entire nation, represented by its Navy and its Armed Forces, which are occupying their surveillance posts to guarantee national sovereignty.

President Samper immediately ordered a number of troops and an antiguerrilla armored unit to go to the site of the incident. He also ordered the military forces closest to the site of the incident to cooperate with the Venezuelan forces. It is expected that in light of this event, the most painful event of this nature that has taken place at the border region, Colombia will protect its border area more closely.

Meanwhile, as the Venezuelan Government regretted the incident, which casts the nation into mourning, it recalled that the border posts were kept and reinforced to guarantee security in this large region, where guerrillas, criminals, and drug traffickers alike challenge the elemental rules of coexistence.

While demanding efficient military presence at the border with Colombia, Venezuela is assuring its citizens that its land and airborne forces will be more prepared every day.

[Dated] Caracas, 26 February 1995

Navy Repudiates FARC Attack

PA2702180095 Caracas Venezolana de Television Network in Spanish 1550 GMT 27 Feb 95

[From "The News" newscast]

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[FBIS Translated Text] It has been confirmed that eight is the number of Venezuelan Marines killed during an attack by Colombian guerrillas at the Cararabo Garrison between Apure and Amazonas early on 26 February. The names of the dead are: Corporals Second Class Nelson Gregorio Contreras, Hernan Eloy Graterol, Jose Ascanio Aponte, and Jacinto Viloria; Sergeant First Class Jose Gregorio Armada Aponte; Jose Orlando Colmenares, technical sergeant first class; and Marines Felix Ramon Guarena Silva and Candido Arenas Mendez. It has also been confirmed that two wounded Marines were taken to Caracas from the site of the attack and interned at the Katia La Mar Naval Hospital.

Through President Rafael Caldera, the Venezuelan Government has demanded from Colombia, President Ernesto Samper Pizano in particular, an exemplary punishment of the individuals guilty of the deed. Guillermo Alvarez Bajares, head of the OCI [Central Information Office], has reported to the media on Caldera's telephone call to Samper from La Orchila:

[Begin Alvarez Bajares recording] They took away from the river port all of the armaments and two high-speed boats. Several survivors reported the attack several hours later, because the lines of communication had been cut earlier. [end recording]

The authorities blame the Revolutionary Armed Forces of Colombia for the criminal action. The guerrillas reportedly used more than 150 men to attack the small Venezuelan garrison. The rebels took with them 30 rifles, ammunition, equipment, medicines, and two Venezuelan Navy high-speed boats.

In a communique, the Navy General Command repudiated the attack. This is the text: The Navy General Command hereby regrets to report to the community a cowardly attack perpetrated by bandits from Colombian territory early on 26 February against the border river post at Cararabo on the Meta River in Apure State. Eight of our Marines were assassinated during the attack. The homeland acknowledges their courage and sacrifice for a better Venezuela. The guerrillas perpetrate vandalistic actions such as this one protected by the ease with which they can attack and immediately return to Colombian territory. Measures are being taken to locate and neutralize these enemies of the homeland so incidents such as this one are not repeated. The general commander of the Navy and members of the Navy High Command are at the site of the attack to coordinate the proper actions.

The Venezuelan Foreign Ministry has released a similar communique, directly addressing the Colombian Government.

Navy Commander, Envoy Condemn Attack

PA2802044495 Caracas Venezolana de Television Network in Spanish 0200 GMT 28 Feb 95

[Report by Melissa Soto; from "The News Newscast"]

[FBIS Translated Text] The Venezuelan Armed Forces conducted tactical operations in Apure State to recover the stolen weapons and to capture the perpetrators of the attack on the Venezuelan marines, which the Navy commander described as a sadistic and cowardly act.

Navy Commander Vice Admiral Jesus Enrique Briceno Garcia confirmed that the guerrilla column that attacked a naval unit in Apure State outnumbered the defense at the naval post. Nevertheless, he added, the marines strove to repel the attack, as evidenced by the fact that eight of the 31 marines at the post died. He also said that actions are being taken to locate the responsible parties.

[Begin Briceno Garcia recording] I just want to mention that the entire institution will make the necessary efforts. We will send reinforcements to conduct a more thorough search of the area. [end recording]

Meanwhile, the Navy and Air Force made great efforts to transfer the bodies of the eight Venezuelan soldiers to their hometowns. Among them was the body of Sergeant First Class Jose Orlando Colmenares Zambrano, 25, the youngest of seven children, whose wife is seven months pregnant. At approximately 1800 today, the coffin, draped with the yellow, blue, and red Venezuelan flag, was delivered to relatives by the Navy High Command. The Navy gave all the Venezuelan marines who died in this bloody incident a posthumous promotion and decorated them with the Admiral Obrion naval medal. This, of course, does not ease the pain at the loss of life.

[Unidentified relative] He was sent to that post to repair some engines and was killed while he was there. He was shot twice in the heart. [end recording]

Colombian Ambassador to Venezuela Francisco Posada de la Pena said his country has sent special counterinsurgency troops to the scene to search for the group responsible for this regrettable incident.

Posada de la Pena, who arrived in our country three months ago, said Colombians are indignant and horrified by the incidents in Apure State.

[Begin Posada de la Pena recording] This shows that the so-called guerrillas that have been operating in Colombia for many years are nothing other than gangs of murderers and criminals who, together with drug traffickers, are trying to destabilize the democratic and republican institutions in our country. What happened in Apure State was terrible. [end recording]

According to Posada de la Pena, actions like these can affect the integration plans of the Venezuelan and Colombian Governments.

Envoy Demands Action From Colombia

PA2802034195 Caracas Venezolana de Television Network in Spanish 0200 GMT 28 Feb 95

[From "The News" newscast]

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[FBIS Translated Text] Venezuelan Ambassador to Colombia Abdon Vivas Teran met with Colombian Defense Minister Fernando Botero Zea and Commander General Hernando Camilo Zuniga to reiterate the indignation of the Venezuelan Government and people at the attack by Colombian guerrillas on Venezuelan marines.

Ambassador Vivas Teran demanded strong action at the border from the Colombian authorities to capture the guerrillas who attacked and killed the Venezuelan marines.

Walter Marquez, president of the Chamber of Deputies Domestic Policy Committee, said this attack must be viewed as a terrorist act. He added that the Colombian Government is solely responsible and therefore must respond to this action.

Marquez said Venezuela cannot remain passive in the face of such actions. He proposed that the national government take the matter up with the UN Security Council so the sanctions this organization stipulates for terrorist actions can be applied in this case.

We must add that the Manuel Echeveria River Port in Cararabo, Apure State, was completely destroyed during the commando attack by the Colombian guerrillas on that border post early Sunday morning.

The brutality of the Colombian guerrillas was evidenced by the way in which the eight Venezuelan marines were killed. Two of them were sliced open with knives after they were dead.

Infantry marines Felix Guarenas and Jose Antonio Ascanio, who died on duty while serving their fatherland, were buried today with military honors in Valencia, Carabobo State.

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